



Employee Perceptions of Corporate Social Responsibility & Reactions – An Exercise in Disambiguation

Amer Iqbal Awan

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DOCTORAL THESIS

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Presented by	Amer Iqbal Awan
Centre	Esade Business School
Department	Department of Society, Politics and Sustainability
Directed by	Dr. Josep F. Mària Serrano, SJ

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Chapter 1: Introduction

1.1 Relevance of the Topic

As research interest in the general field of CSR has grown exponentially in the twenty first century (Carroll & Shabana, 2010; El Akremi, Gond, Swaen, De Roeck, & Igalens, 2015), one of the sub-fields that has emerged in the last few years, and received considerable academic attention, is that of the psychological micro foundations of CSR (Gond, El Akremi, Swaen, & Babu, 2017). As a consequence of this increased interest in the psychological underpinnings of CSR, and without any universally agreed upon theoretical frameworks, research in the area has been diverse and fragmented (Aguinis & Glavas, 2012, 2013).

The effects of this fragmentation in academic literature has ramifications for practitioners as well. Focus on the ‘business case’ of CSR dictates that firms are encouraged to invest in socially responsible programs when they can generate instrumental benefits for doing so (Siegel, 2009). The need for a better understanding of the psychological processes that lead to stakeholders bestowing any benefits to a firm as a result of its CSR engagement becomes important (Erdogan, Bauer, & Taylor, 2015).

For the purpose of this dissertation, the stakeholder group that we have focused on is employees. While there has been significant research on the psychological underpinnings of the reactions of other stakeholder groups, particularly customers (Ellen, Webb, & Mohr, 2006; Olsen, Slotegraaf, & Chandukala, 2014) and prospective employees (Greening & Turban, 2000; Turban & Greening, 1997), the stakeholder group that has received most attention in academic literature is that of employees. This increased attention on employees may be attributed to the unique position of

employees in terms of the broader information set they have about the firm and its CSR activities relative to other stakeholder groups (Gilly & Wolfenbarger, 1998) and due to their importance in communicating about the firm's CSR practices without arousing skepticism (Morsing, Schultz, & Nielsen, 2008).

In the literature dealing with the micro foundations of CSR from the employees' perspective, there is a substantial body of empirical evidence to support the idea that employees respond positively to their firms when they view their firms' CSR positively. While the majority of studies focus on the phenomenon in the US (Hansen, Dunford, Boss, Boss, & Angermeier, 2011; Hollingworth & Valentine, 2015; Stites & Michael, 2016), and the UK (Manika, Wells, Gregory-Smith, & Gentry, 2013; Rayton, Brammer, & Millington, 2015), it has been tested in various other contexts like Belgium (Closon, Leys, & Hellemans, 2015), Portugal (Rego, Leal, Cunha, Faria, & Pinho, 2010), Turkey (Arikan, Kantur, Maden, & Telci, 2016; Erdogan et al., 2015), China (Fu, Ye, & Law, 2014; Newman, Nielsen, & Miao, 2014), Korea (Jung, Namkung, & Yoon, 2010; E. M. Lee, Park, & Lee, 2013), India (Dhanesh, 2014; Sheel & Vohra, 2015) and Saudi Arabia (Azim, 2016).

Since this evidence comes from many different cultural contexts, the generalizability of the phenomenon can be argued for. Due to the fragmented nature of the literature, however, there is considerable variation in terms of both the constructs used in the studies, and the theoretical arguments for the relationship between evaluations of CSR and employee responses. Therefore, the research objective for this dissertation is to attempt to *clarify the nature of the relationship between employee evaluations of CSR and their responses towards the firm.*

1.2 Literature Review

An initial review of the literature in the area was conducted to understand the relationship between employee evaluations of CSR and their subsequent reactions as depicted in literature. Using the 'and' function in Clarivate Web of Science, the terms 'employees', 'corporate social responsibility', and 'perceptions' were searched in literature. The search parameters were expanded by using constructs with similar meanings to replace the initial terms. For instance, 'social responsibility' and 'corporate citizenship' to replace corporate social responsibility and 'evaluations' and 'attributions' to replace 'perceptions' were used in the search fields. We narrowed down the search parameters to find only papers that were written in English and excluded conference proceedings, as they may not have gone through a sufficiently rigorous peer review. This filtering process left us with a total of 235 articles dealing with employee perceptions of CSR.

In order to further narrow the focus of the review, three criteria were used for filtering the articles found. Firstly, we disregarded articles that dealt only with prospective employees rather than current employees of the company, as the theoretical arguments for their responses were different. As a result, discussion of the term 'employees' in the paper refers only to existing employees of the company. Secondly, we only selected articles that looked at the perceptions of employees of the CSR of their own company, rather than an evaluation of the concept of CSR in general. Thirdly, we did not consider articles that studied a single aspect of CSR, rather than a generalized evaluations of the CSR of the firm in general. As an example, some articles only considered employee reactions to cause related marketing, which altered the theoretical perspective used by the authors. As a result of this further categorization, we were left with 109 articles.

A review of these articles showed that while there were many differences in the constructs tested, the theoretical perspectives leveraged and the cultural contexts studied within the articles, there were a lot of similarities in the basic understanding of the relationship described. We have condensed these similarities prevalent in the existing literature in the form of a prototypical relationship as a brief summarization of the central understanding of literature, presented in the next subsection. The depiction of the prototypical relationship is not meant as a complete representation of all the facets of the relationship that have been studied in prior literature, solely the facets that are predominantly present in a majority of empirical studies.

In addition, further literature reviews were conducted for each of the chapters using the method of backward citation chasing (Cooper, Booth, Varley-Campbell, Britten, & Garside, 2018), based on the focus of each chapter. These were conducted to collect more contextually relevant literature for each study.

1.2.1 Prototypical Relationship

An illustration of the prototypical relationship found in existing literature is presented in Figure 1.1. The components of the prototypical relationship are described below.

Most studies in the area, conducted using quantitative methods of data analysis, test the relationship of a measure of evaluation of CSR by individual employees, with some attitudinal or behavioral reactions by the employees. The relationship between evaluations of CSR and employee reactions is mediated by an attitude of the employee towards the firm. The choice of the mediating attitude depends on the theoretical lens used by different authors.

While there are exceptions to this prototypical relationship, with some authors considering different boundary conditions for the relationship (De Roeck, El Akremi, & Swaen, 2016; D. E. Rupp, Shao, Thornton, & Skarlicki, 2013), and some looking at the antecedents of evaluations of CSR (Valentine & Fleischman, 2008; West, Hillenbrand, & Money, 2015), a significant majority of the literature focuses on a variation of the relationship illustrated in Figure 1.1.

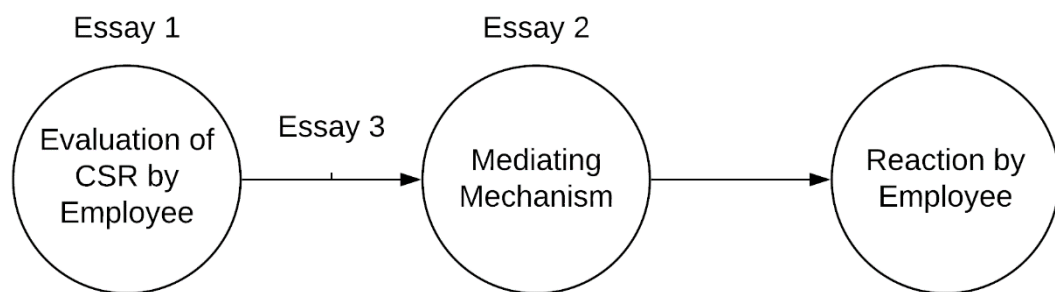


Figure 1.1: Prototypical Relationship

The dissertation comprises of three essays that focus on one aspect of the relationship depicted in the figure. Essay 1, which is found in the next chapter, deals with clarifying the different evaluations that employees make towards the CSR of their firms. Essay 2, which comprises the third chapter of this dissertation, focuses on the different mediating mechanisms that have been considered in prior literature. Essay 3, forming the fourth chapter, presents an alternative argument for the causal relationship between employee evaluations of CSR and their attitudinal responses, arguing for the possibility that the causal relationship may, in fact, flow in the opposite direction.

1.2.2 Evaluation of CSR by Employees

There are a number of ways that evaluations of CSR have been captured in prior literature. The most used construct to capture these evaluations is Perceptions of CSR (PCSR). However, the nature of the evaluation of CSR that is captured through different scales used for PCSR can vary. In general, the construct seeks to capture an overall generalized evaluation that employees have towards the CSR of their firms. In order to capture this, some authors focus on the different dimensions of CSR (A. Carroll, 1991), some authors have used dimensions based on the targeted stakeholder group (Turker, 2008b) while some have considered an overall global judgment of the CSR of the firm by the employee (De Roeck et al., 2016; Panagopoulos, Rapp, & Vlachos, 2016).

There are other constructs that capture similar aspects of the evaluation by employees. For instance, some authors have used perceptions of corporate citizenship (Evans & Davis, 2014; Matten & Crane, 2005). However, generally there is a “conflation of CC with existing conceptions of CSR” (Matten & Crane, 2005, p. 168), resulting in these constructs measuring similar evaluations of CSR. Similarly, perceptions of social performance (Stites & Michael, 2016) disregards evaluations of the economic responsibilities of the firm by employees.

In addition, there are other constructs that have been used to capture employees’ attitudes towards the CSR of the firm focusing on different kinds of evaluations that employees make towards their firm’s CSR. Some are captured by perceptions of greenwashing (Nyilasy, Gangadharbatla, & Paladino, 2013), which is an evaluation of whether the firm is truthful in its claims about CSR. Attributions of motivations is also a frequently used construct to capture employees’ evaluation of the underlying intention of the firm for engaging in CSR.

A more detailed discussion of the different constructs used in literature to capture the evaluation made by employees towards the firm's CSR can be seen in Chapter 2.

1.2.3 Mediating Mechanisms

While the empirical evidence for the consequences of Perception of CSR (PCSR) is substantial, there are multiple theoretical frameworks that have been used in literature to explain why PCSR leads to attitudinal and behavioral reactions from employees. The two most widely used theories to explain the relationship between employee evaluations of CSR and their subsequent reactions towards the firm are the Social Identity Theory and the Organizational Justice Theory.

The central argument stemming from the Social Identity Theory is that employees respond positively to the socially responsible actions of their firms because of a sense of pride in their organization. If they believe that the firm's actions are beneficial to society, they feel pride in their organization, feel more attached to the organization and therefore identify more strongly with the organization. This sense of 'belongingness' to the organization, in turn, leads to them responding positively towards the organization.

Similarly, the central argument of the Organizational Justice Theory stems from the idea that a sense of justice fulfills different kinds of needs in people. When employees believe their firm is just, they feel more secure because they believe that the firm will remain just with them as well, and are willing to be vulnerable to the firm. Similarly, if employees believe their firm actively cultivates just relationships with stakeholders, they develop the sense that the firm encourages relationship building. Lastly, the theory argues that there is an inherent human desire for justice and fairness. When a firm is socially responsible, and takes care of its stakeholders, they

The most widely used explanation in literature is based on the Social Identity Theory (SIT) (De Roeck et al., 2016), which suggests that individuals prefer to associate with social groups that they believe to be prestigious (B. E. Ashforth, Harrison, & Corley, 2008; B. Ashforth & Mael, 1989). This closer identification to prestigious social groups derives from a desire to enhance their self-image (Dutton, Dukerich, & Harquail, 1994).

In the context of the relationship between CSR and employee reactions, the argument is that a positive perception of CSR of the company indicates external prestige of the organization (De Roeck et al., 2016). A closer identification with the firm allows employees to enhance their self-image through association with the prestigious organization (Evans & Davis, 2014; Newman et al., 2014). Enhancing their self-image, in this context, refers to the employees evaluating themselves more positively as a result of their belonging to an organization that they believe others look up to.

In terms of the prototypical representation of the relationship presented in Figure 1.1, when social identity theory is used as a theoretical framework for explaining the relationship between evaluations of CSR and employee reactions, the mediating mechanism is captured by either Organizational Identification or the affective component of Organizational Commitment.

Another explanation provided in literature for employees positively responding to their organizations' CSR is based on the multiple needs model of Organizational Justice and the Social Exchange Theory. The multiple needs model argues that the perception of justice fulfills multiple needs of individuals: instrumental, relational and deontic (D. E. Rupp et al., 2013; Vlachos, Panagopoulos, & Rapp, 2014). CSR fulfills instrumental needs of employees in terms of security and control. An organization engaging in CSR indicates to its employees that it is concerned about the welfare of others, and therefore it will be concerned for the welfare of the employees as well

(DE Rupp, Ganapathi, & Aguilera, 2006, p. 540). In terms of relational needs, since CSR is about building relationships between the organization and stakeholders, it signals to employees that the organization values such relationships (DE Rupp et al., 2006, p. 541). The fulfilment of deontic needs is based on employees' 'inherent and universally held conviction' for the fair treatment of all individuals. (D. E. Rupp et al., 2013).

The theoretical connection between the fulfillment of various individual needs and attitudinal and behavioral reactions by employees is based on the 'norm of reciprocity' (Mory, Wirtz, & Göttel, 2016; Rayton et al., 2015) rooted in the Social Exchange Theory (SET). The fulfillment of different needs by the company, in the eyes of employees, leads them to reciprocate positively to the company.

In terms of the prototypical relationship presented in Figure 1.1, the need for security is captured through Organizational Trust. Organizational trust reflects the degree to which the employees are willing to be vulnerable to the actions of their firm. If they believe the firm to be just, they can allow themselves to feel more vulnerable towards the firm.

Social needs of employees are, at least partially, captured through affective commitment, as it represents the fulfilment of their need for enhancing their self-image. Social needs of employees are fulfilled when they believe that they have prestige in the community because of their belonging to an organization that is seen positively by others around them.

Lastly, the fulfilment of deontic needs is captured through job meaningfulness. Meaningfulness, in this context, refers to the degree to which employees feel their jobs matter, the degree of importance they attach to their jobs. If they believe their company is acting in good faith towards

its stakeholders, their jobs bring more meaning to them. A more detailed discussion of the mediating mechanisms can be found in Chapter 3.

1.2.4 Reaction by Employees

A number of different attitudinal and behavioral consequences of a positive evaluation of CSR have been studied in prior literature. One of the most studied attitudinal consequence of a positive evaluation of CSR is job satisfaction (Closon et al., 2015; Valentine & Fleischman, 2008), reflecting the degree to which employees are content in their jobs. Other beneficial attitudinal responses towards the firm include lower organizational cynicism (Sheel & Vohra, 2015), which reflects the degree to which they are skeptical towards the actions of their firm, lower levels of distrust (West et al., 2015) and perceptions of organizational performance (Choi & Yu, 2014).

Behavioral reactions by employees towards a positive evaluation of CSR include organizational citizenship behaviors (Fu et al., 2014; Newman et al., 2014), meaning their actions towards the firm and other employees are more positive, discretionary effort (Edwards, 2016; Vlachos et al., 2014; Zhu, Yin, Liu, & Lai, 2014), which reflects the degree to which employees exert extra effort in their jobs, compassion (Moon, Hur, Ko, Kim, & Yoon, 2014) and lower turnover intentions (J. (Sunny) Kim, Song, & Lee, 2016).

1.3 Methods

The thesis comprises of three essays and the research methods used in each of the studies have been selected based on the research objective of each. In the case of the first essay, the objective of the study is to clarify the boundaries among different constructs used to capture employee evaluations of CSR. For this purpose, the identification of the different evaluations made by employees was conducted using Exploratory Factor analysis. Since there was expected to be some covariation among the different dimensions, the factors were rotated using oblique promax rotation.

As a second step, to select the identified factors that form dimensions of a higher order evaluation, confirmatory factor analysis was used. In order to select the relationship structure that best represented the relationship among those dimensions, structural equation modelling was conducted, using Akaike Information Criteria to select the model that best fit the data.

In the second study, different mechanisms for the relationship between employee evaluations of CSR and employee responses were tested simultaneously. The method used in this study was structural equation modelling, based on cross sectional data collected from the crowdsourcing tool Amazon MTurks.

In the third essay, comprised of two studies, the research objective was to ascertain the causal direction of the relationship between evaluations of CSR and stakeholder attitudes towards the firm. Consequently, the most appropriate method for executing the studies was in an experimental setting. In the first study, the degree of organizational trust was manipulated among participants using textual information about a fictional company and the effect on perceptions of CSR was

measured. In addition, levels of social cynicism were also manipulated to test for interaction effects. Data was analyzed using two-way analysis of variance.

In the second study, perceptions of CSR were manipulated, and the effects on levels of organizational trust were measured. To test for interaction effects of social cynicism, the levels of social cynicism were measured. The analysis was conducted using hierarchical regression.

There is skepticism about the quality of the data collected using MTurk and similar platforms relative to data collected from traditional sources, but a number of empirical studies have failed to validate this skepticism (Chandler, Mueller, & Paolacci, 2014). In light of this lack of empirical basis for perception of low quality data, some authors have argued that distinctions between different forms of convenience sampling are arbitrary and are rooted in “myth, intuition and tradition” (Landers & Behrend, 2015, p. 2). Despite these views, it is important to highlight the criticisms of crowd-sourced data, and take mitigating steps.

One of the central criticisms of data collected using crowdsourced data relates to the external validity resulting from the selection bias inherent in the sampling methodology. This is a considerable threat to the external validity of the conclusions of a study since the results of the study cannot be generalized to the larger population of interest. However, Landers and Behrend (2015) argue that the same inherent selection bias is present in studies that either use a single organization to collect data, or studies that use student populations.

Another threat to external validity inherent in a considerable volume of data in organizational studies is a reliance on data from western, educated, industrialized, rich and democratic (WEIRD) countries (Henrich, Heine, & Norenzayan, 2010). Data collected using crowdsourcing tools such

as MTurks can allow researchers access to a broader subset of the population than traditional sampling methods.

Despite studies showing better than perceived quality of data obtained using crowdsourcing techniques, most authors recommend that care should be taken to ensure the quality of the data, as with any other form of data collection (Buhrmester, Kwang, & Gosling, 2011; Cheung, Burns, Sinclair, & Sliter, 2017; Paolacci & Chandler, 2014). A major concern using MTurk as a data gathering tool is participant attentiveness (Hauser & Schwarz, 2016). This is due to the fact that while traditionally respondents participate in studies that they might be interested in, MTurk respondents are unsupervised, anonymous and motivated by financial rewards which may result in inattentiveness and therefore poor quality data.

In order to mitigate this risk there were three primary methods used. Firstly, some of the items within scales were reverse coded to ensure the quality of data. Secondly, in the duration of the filling of surveys, there were attention checks to ensure that participants were paying attention to the questions asked. Lastly, based on trial runs of the surveys, we estimated the time to completion for each survey. Any respondents that took significantly less time than our estimates were eliminated from the data set.

While it is generally believed that respondents from crowdsourcing platforms do not pay sufficient attention to the questions, and are interested only in finishing the survey as quickly as possible, Hauser and Schwarz (2016) tested differences in attentiveness to instructions in multiple studies between MTurk participants and traditional subject pool samples. They found that MTurkers showed larger effect sizes to minute text manipulations, and were more responsive to instructional manipulation checks (Hauser & Schwarz, 2016).

1.4 Structure of the thesis

The thesis is presented as a monograph based on three related essays. In terms of Figure 1.1, each essay tackles a component of the prototypical relationship shown in the diagram. The first essay deals with the construct labeled ‘Evaluation measure of CSR’, the second essay deals with the construct labeled ‘Mediating mechanism’ and the last essay deals with the arrow depicting the relationship between evaluation of CSR and the mediating mechanism.

The first essay seeks to find some structure in the various constructs that have been used in literature to capture employees’ evaluations of CSR. The research question for this chapter is, “what evaluations do employees make when assessing the CSR of their firms, and how are these different evaluations related?” The second essay focuses on the mediating mechanisms of the relationship that have been considered in literature and seeks to answer the question, “Why do employees respond to CSR efforts of the firm?” The third essay looks at the causal direction of the relationship between employee evaluations of CSR and their attitudes towards the firm. The research question for the third essay is, “What is the causal directions between employee perceptions of CSR and organizational trust?”

1.4.1 Essay 1

The first chapter is entitled “Stakeholder evaluations of CSR: Connecting the dots”. In this research, we consider the different constructs used in measuring employee evaluations of CSR and identify the conceptual boundaries separating these constructs, test whether these conceptually

distinct constructs are dimensions of a higher order construct and identify how these distinct constructs inter-relate among each other.

As previously mentioned, while there is considerable empirical evidence showing the relationship between an evaluation of CSR by employees and their reactions towards the firm, the way these evaluations are captured differ significantly. At a first level, there are different constructs used to capture conceptually different evaluations. For instance, there is literature dealing with the evaluation of an employee about whether the firm is engaged in greenwashing (de Vries, Terwel, Ellemers, & Daamen, 2015; Nyilasy et al., 2013) and also literature dealing with employee evaluations of why the firm engages in CSR (Donia & Tetrault Sirsly, 2016; Vlachos, Panagopoulos, & Rapp, 2013).

Secondly, there are different constructs used to capture conceptually identical evaluations, for instance ‘perceptions of corporate citizenship’ (Evans & Davis, 2014; Matten & Crane, 2005) or ‘perceptions of corporate social performance’ (Stites & Michael, 2016; Zhang, Di Fan, & Zhu, 2014) is sometimes used to capture the same evaluation as ‘perceptions of CSR’ (D. E. Rupp et al., 2013; Turker, 2008b).

Lastly, there are instances where the same construct is used to capture conceptually distinct evaluations. For instance, the construct perceptions of CSR can be used to measure the evaluations of an employee towards the CSR efforts of the organization towards different stakeholder groups (Hofman & Newman, 2013; Turker, 2008a), and it has also been used in literature as a holistic evaluation of the firm itself (De Roeck et al., 2016; Panagopoulos et al., 2016; Vlachos et al., 2014).

The first essay attempts to identify the conceptually distinct evaluations, and maps the different constructs that have been used to capture these evaluations. Data collected from Amazon M-Turks was divided into two sub-groups. Exploratory factor analysis was conducted on the first sub-group, and the statistically identified factors were then tested using confirmatory factor analysis on the second sub-group to test whether the factors formed a part of a higher order evaluation. Using Structural Equation Modelling, we then tested various combinations of the inter-relationships to find the relationship that best fit the data on the entire sample.

We identified four conceptually distinct evaluations used in literature based on questions that employees asked about the CSR of the firm. The first dealt with whether the firm was honest in its communications about CSR. The second dealt with whether the CSR actions of the firm were good. The third was about the underlying intentions of the firm for engaging in CSR. The last evaluation was an overall assessment of the firm itself as a socially responsible member of society.

In terms of the relationship to the prototypical relationship presented earlier, Figure 1.2 graphically represents the central question raised by Chapter 2.

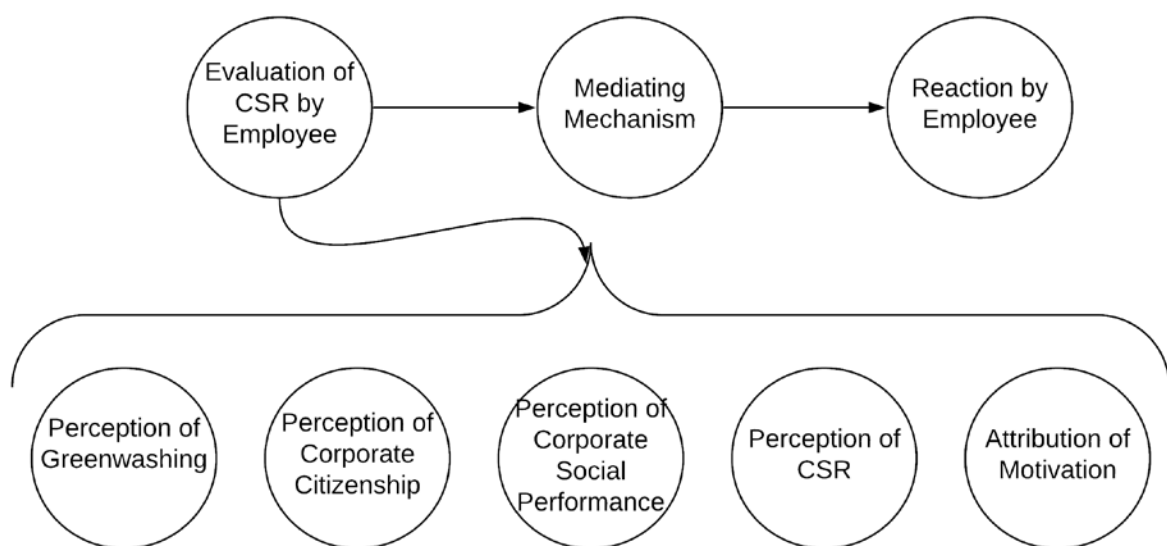


Figure 1.2: Graphical Representation of research question for Chapter 2

1.4.2 Essay 2

The second essay is entitled “Perceptions of CSR and Employee Responses: How meaningful is meaningfulness?” This essay deals with the underlying mechanisms for why employees respond to the CSR efforts of the firm when they are not the focal beneficiaries of the CSR initiatives. There have been different arguments made for why employees respond to the CSR initiatives of their organizations. Arguments stemming from the Organizational Justice Theory suggest that CSR fulfills security, social and deontic needs (DE Rupp et al., 2006) of an individual employee, and the fulfillment of these needs drives employees to respond positively to the firm (Mory et al., 2016).

In order to empirically test these mechanisms, research in the area has used different constructs as mediators to the relationship between employee evaluations of CSR and their responses to the firm. For instance, in order to test if employees respond to the fulfillment of their security needs, organizational trust has been used as a mediator between perceptions of CSR and employee responses to the firm (Hansen et al., 2011; West et al., 2015). The argument for the mediator is that if an employee views the CSR of the firm positively, then he or she believes that the firm cares about its stakeholders, and would in turn care about its employees. This belief allows employees to be vulnerable to the firm, since they believe the firm will be considerate of the effects of its actions on its employees (DE Rupp et al., 2006). This vulnerability of employees towards the firm in cases where they can not affect the actions of the firm is captured by organizational trust (Mayer, Davis, & Schoorman, 1995).

Similarly, the social needs of the employees are met by a positive evaluation of the firm’s CSR because it indicates a positive external prestige of the organization (De Roeck et al., 2016). In

order to enhance their self-image (Dutton et al., 1994), employees have a desire to associate more closely with a prestigious social group (B. E. Ashforth et al., 2008; B. Ashforth & Mael, 1989). Therefore when they perceive the organization to have higher external prestige, they identify more closely with the organization enhancing their social esteem (Evans & Davis, 2014; Newman et al., 2014). This higher degree of identification is captured by the degree of affective commitment of the employee towards the firm.

Lastly, the deontic needs of the individual are fulfilled based on employees' 'inherent and universally held conviction' for the fair treatment of all individuals. (D. E. Rupp et al., 2013). When employees view the CSR of the firm that they work for positively, they consider the positive influence their firm is having on society at large, and this view leads them to believe that the work that they are engaged in is more meaningful (Glavas & Kelley, 2014; Raub & Blunschi, 2013).

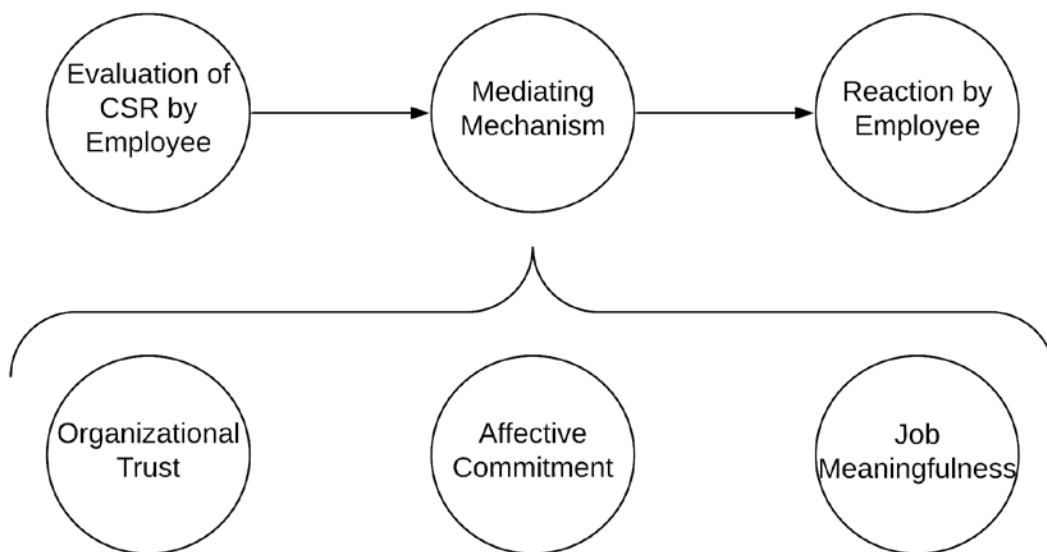


Figure 1.3: Graphical Representation research question for Essay 2

While these three mediators have been considered in prior literature, they have generally been considered individually, and independently from the other two. This independent testing of each of the three mediators to the relationship between employee evaluations of CSR and their reactions to the firm can lead to two issues. Firstly, we cannot assess the relative explanatory power of each of the three based on studies that have tested them independently. Secondly, it is likely that the three constructs described as mediators are inter-related, and as a result, there may be overlaps in the effect that each has as a mediator to the relationship.

This essay tests the three mediators in one study to firstly clarify the effect size for each of the moderators in the relationship to establish their relative importance, and secondly to test if each of them actually has a unique mediating effect in the relationship between evaluations of CSR and employee responses. The evaluations used in this study were perceptions of CSR and the employee responses considered were job satisfaction and discretionary effort. Figure 1.3 depicts the relationship tested in this essay in terms of the prototypical relationship described earlier.

1.4.3 Essay 3

The third essay of the dissertation is entitled “Chicken or the Egg? Causal direction between employee perceptions of CSR and Organizational Trust.” One of the major concerns with the literature on the attitudinal reactions of employees to their evaluations of CSR was the fact that evidence for the relationship primarily came in the form of cross-sectional studies. As a consequence of this, the temporal order between the attitude of the employee towards the firm and the evaluation of CSR cannot be established. While the theoretical arguments made in literature suggest that the causal flow of the relationship starts from the evaluation of CSR, and then the

employee develops a positive attitude towards the firm as a result of this positive evaluation of CSR, the evidence available does not demonstrate this causal flow of the relationship.

It may be argued that if an employee has an existing positive attitude towards the firm, the employee may develop a positive attitude towards the CSR of the firm as well for the sake of cognitive balance. We make this argument grounded in the Balance Theory of attitudes (Heider, 1946, 1959; Woodside & Chebat, 2001), and argue that the evaluations of CSR as have been discussed in literature are, in fact, attitudes of the employee towards the CSR of the firm (Bohner & Dickel, 2011; Olson & Zanna, 1993). The Balance Theory of attitudes proposes that individuals are predisposed to have the same valence of attitude for objects that are positively related in their minds. In the case of a firm and its CSR, the two would be expected to be positively related in the minds of an employee since the latter is an action of the former. Therefore, the theory suggests that in order to maintain cognitive simplicity, an employee would tend to have the same attitude valence for both the related objects.

This idea suggests that if an employee has an existing attitude towards the firm, and they are exposed to the CSR of the firm, he or she would form a matching attitude towards the CSR as well in order to maintain cognitive simplicity. This presents an alternative causal flow of the relationship than has been discussed in prior literature. However, the causal flow, according to the Balance Theory, would flow from whichever of the two attitudes is formed first.

Using two experimental studies, we tested the causal direction of the relationship. In the first study, we used organizational trust as a representative for different attitudes of the employees towards the firm. Using students from the MSc programs at Esade Business School, we tested whether a high level of organizational trust leads to a more positive evaluation of CSR and found support for our hypothesis.

In the second study, we tested if more positive evaluations of the CSR of a firm may lead to higher levels of organizational trust using the crowdsourcing tool Prolific. We found evidence to support this causal direction of the relationship as well. In addition to the causal flow, we also tested whether social cynicism had an effect on both directions and found support that the level of social cynicism moderated the relationship in both directions.

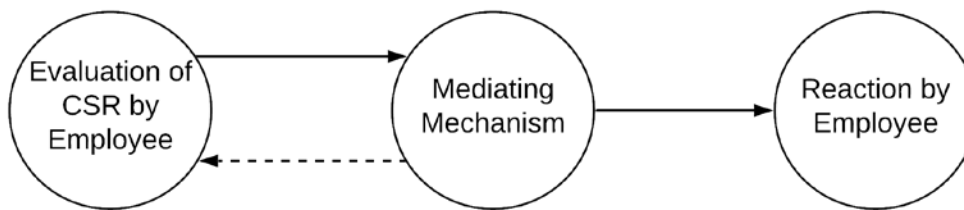


Figure 1.4: Graphical Representation of Research Question for Essay 3

1.5 Contributions

The essays are presented as Chapters 2, 3 and 4 of the dissertation. The thesis makes several contributions to the literature dealing with micro foundations of CSR. The first essay clarifies the boundaries among different constructs used to capture evaluations of CSR and highlights the differences among them. This is also particularly relevant to managers because it allows them to clearly understand the questions that their employees evaluate the CSR of the firm on, and to ensure that they know how these different evaluations affect each other. The second essay clarifies the mediating effect of each of the three mechanisms discussed in prior literature, and shows that

despite receiving less attention in literature relative to the other two mechanisms, job meaningfulness has a stronger mediating effect between employee perceptions of CSR and employee reactions to the firm. This is also very pertinent for managers while designing CSR programs. In order to generate more instrumental benefits for the firm, it may be more important to design programs that are meaningful to employees than to design those that may be considered more popular or prestigious for external stakeholders. Lastly, the third essay shows that despite the abundance of literature showing the effects of positive perceptions of CSR, the causal direction of the relationship may also occur in the opposite direction. This also is very significant for managers, who may need to appreciate the fact that using CSR to change employees' attitudes towards the firm may not be a viable option. Employees who have a negative attitude towards the firm may not view the CSR of the firm positively even though it may be objectively very well designed.

A more detailed discussion about the generalized conclusions, theoretical contributions and managerial implications of the thesis is presented in Chapter 5 of the dissertation.

Chapter 2: Stakeholder Evaluations of CSR:

Connecting the Dots

2.1 Introduction

Tsoukas and Vladimirou, in their seminal work on organizational knowledge, argue that knowledge is driven by the ability to draw distinctions (2001, p. 977). Learning, they claim, is a development in our ability to make finer distinctions between phenomena. Regrettably, our understanding of stakeholders' interpretations of the communication and actions of companies regarding CSR faces a significant challenge in terms of the ability to make these finer distinctions. This challenge is caused by the presence of multiple and related constructs used in literature to describe how stakeholders view the CSR activities of a firm. While the existence of multiple constructs may generally be helpful in precisely defining the concepts invoked, the lack of an overarching scheme to distinguish these different constructs and to clarify their relationships causes considerable overlaps in these constructs.

Perceptions of CSR (Brammer, Millington, & Rayton, 2007; E. M. Lee et al., 2013), attributions of motivations of CSR (Ellen et al., 2006; Vlachos et al., 2013), perceptions of corporate citizenship (Evans & Davis, 2014; Matten & Crane, 2005), perceptions of corporate social performance (Stites & Michael, 2016; Zhang et al., 2014), greenwashing (Laufer, 2003; Ramus & Monteil, 2005), perceptions of greenwashing (de Vries et al., 2015) all refer to similar concepts, but the demarcations between these constructs are hazy and their inter-relationships hazier, as we argue in the next paragraphs.

The construct of perceptions of CSR, in particular, has been measured in literature in a number of ways, and serves as a good illustration of the unclear demarcation. Some authors (Maignan & Ferrell, 2000) use a scale rooted in the four dimensions of CSR (economic, legal, ethical and philanthropic) identified by Carroll (1991). Others use an approach whereby they break down the construct in dimensions according to the beneficiary group of the CSR (Turker, 2008b). Some others have seen perception of CSR as a global evaluation of third party justice in line with Du et al. (2007) and Wagner et al. (2009). Other scales developed by different authors use combinations of perceptions of third party and questions related to social and environmental responsibilities of the company (Valentine & Fleischman, 2008). We contend that these measures, while invoking the same construct of ‘perceptions of CSR’, do not necessarily attempt to capture the same concept.

In addition to the same construct invoking different concepts, or at least different aspects of the concept, there are cases of different constructs invoking the same concept. For instance, perceptions of corporate citizenship (Evans & Davis, 2014) and perceptions of corporate social performance (Stites & Michael, 2016) refer to a similar concept to perceptions of CSR. With regards to perceptions of corporate citizenship, Matten and Crane (2005) argue there are conventionally two perspectives of looking at it. The ‘limited’ view considers corporate citizenship to be related to the discretionary aspects of CSR. The ‘equivalent’ view, however, is a “conflation of CC with existing conceptions of CSR” (Matten & Crane, 2005, p. 168). Perception of corporate social performance is differentiated from perceptions of CSR since it does not include economic responsibilities of the organization.

To aggravate the issue of the nebulous demarcation between the different constructs used to measure stakeholder evaluations of a firm’s CSR, the relationship between these constructs is not clear, and there have been few attempts to explore or establish these relationships. In some cases,

relationships between two constructs is assumed, but not established either empirically or theoretically. For instance, Donia and Sirsly (2016) equate the attribution of motivation by employees as substantive and symbolic with ‘genuine CSR’ or ‘greenwashing’. Their description of symbolic CSR refers to CSR initiatives that are ‘self-servingly pursued’(2016, p. 234), which may be related to a perception of greenwashing, but does not refer to the same idea.

If all these different evaluations are independent of each other, our primary focus needs to be on clarifying the causal chain for each kind of evaluation independently, highlighting the antecedents and consequences for each. Independent assessments of each of these evaluations can allow managers to highlight the evaluations that need improvement. A better understanding of the consequences allows managers to more narrowly focus on the evaluation that is most relevant for the firm, and a better understanding of the antecedents allows them to target those evaluations more effectively.

Literature in the area has, so far, generally focused on this kind of research. There has been considerable attention towards evaluations of whether the firm is truthful in its claims about CSR using the construct of perceptions of greenwashing (Seele & Gatti, 2015). Others have focused on how different stakeholders view the CSR actions of the firm using the construct of perceptions of CSR (Glavas & Kelley, 2014). Still others look at the perceptions of the underlying intentions of the firm in engaging in CSR using the construct of CSR attributions (Ellen et al., 2006; Vlachos, Theotokis, & Panagopoulos, 2010). Recently, focus has also shifted towards the evaluation by stakeholders of the morality of the firm itself based on its CSR, either using the construct of third party justice (Dunford, Jackson, Boss, Tay, & Boss, 2015) or using the label of perceptions of CSR (Vlachos et al., 2014).

If, on the other hand, these independently studied evaluations are all dimensions of a higher order construct, then research focus also needs to turn towards the interdependencies and interrelationships among these different dimensions. This focus is not necessary only for the sake of conceptual clarity by creating precise boundaries between different dimensions and mapping their interrelationships, but is essential for managers to effectively use CSR to generate instrumental benefits for their firm. Consider the credible possibility that a stakeholder's perception that the firm is either lying or exaggerating its claims about CSR (greenwashing) negatively impact the stakeholder's view that the firm engages in CSR for intrinsic reasons (attribution of motivation). If a firm wants to affect stakeholders' views about their underlying motivations, they would need to focus on first ensuring that stakeholders do not perceive them as engaging in greenwashing.

In order to fill this apparent gap in literature about the potential interactions and relationships among different evaluations of CSR by stakeholders, this chapter addresses four distinct related questions. Firstly, what conceptually distinct evaluations of CSR by stakeholders have been discussed in prior literature? Secondly, once we have demarcated the conceptually separate evaluations, we consider the question of whether these distinct concepts form statistically discrete constructs. Thirdly, we ask if the conceptually distinct, and statistically discrete constructs form dimensions of a single higher order construct. Lastly, we question the relationship structure among the different dimensions highlighted.

The chapter, therefore, is structured around these questions. In the next section, we deal with the first question, detailing the different conceptually distinct evaluations that have been discussed in prior literature. The form of this section, consequently, is that of a literature review where we consider the different scales and constructs used in previous literature, and delineate the

conceptually different evaluations that have been addressed in the literature. In the subsequent section, we focus on the second question in order to identify statistically distinct constructs used for measuring different evaluations of CSR by stakeholders. This question is answered through exploratory factor analysis using questions based on all the conceptually distinct evaluations discovered in answer to the first question. In order to simplify the analysis, we label these distinct constructs in terms of authenticity to highlight the differences among them, and better understand the overarching relationships that may be found among them.

In the third section, we consider whether the statistically distinct evaluations found in the previous section form part of a higher order construct by using confirmatory factor analysis. The purpose of this is to identify which of these constructs are inter-dependent in the minds of the stakeholders making the evaluations, and which ones are independent of the others. Once we have established the evaluations that form a part of the higher order evaluation, we consider the relationships among these evaluations by using nested models in structural equation modelling and finding the model that best fits available data. We conclude by highlighting the theoretical contributions of the study, the managerial implications and present some limitations of the research while suggesting avenues for future research.

2.2 Question 1: What are the conceptually distinct evaluations of CSR by stakeholders discussed in prior literature?

A review of literature reveals that while there are a high number of constructs that have been used to capture different evaluations that stakeholders make about the CSR of firms, conceptually, there

are four main questions that these constructs seek to capture. The first deals with a perception by the stakeholder that the firm is truthful about its claims regarding its CSR. The second is an evaluation of whether the firm engages effectively in CSR. The third is a perception by the stakeholder about the underlying intent of the firm when engaging in CSR. The last is an evaluation about the morality of the firm that a stakeholder makes as a result of the CSR of the firm. We describe briefly the different constructs used to capture each of these kinds of evaluations by stakeholders below, labeled as the central question regarding each evaluation. The order of the different evaluations is not in any particular order and does not signify anything.

2.2.1 Is the company truthful about its CSR?

The first kind of evaluation that stakeholders make about the CSR has less to do with the actions of the firm with regard to its CSR, and more to do with the claims that the firm makes about its CSR. The construct that has traditionally been used by researchers to capture this aspect of the evaluation related to the CSR of a firm is greenwashing.

There is no generally agreed upon definition of greenwashing and the concept is ambiguously defined (Seele & Gatti, 2015). The central idea, however, is communication of misleading information regarding a company's environmental and social efforts in order to present a positive image to stakeholders. Some authors define greenwashing as exclusively dealing with environmental concerns (Delmas & Burbano, 2011; Ramus & Monteil, 2005), while excluding actions dealing with social issues. Others include social and environmental claims made by companies when defining greenwashing (Lyon & Maxwell, 2011; Munshi & Kurian, 2005).

Instead of looking at the objective reality of whether a firm is actually engaging in greenwashing, more recent discussions on greenwashing have introduced the role of stakeholders while discussing the idea. In particular, Seele and Gatti (2015) suggest that the concept of greenwashing needs to be addressed in terms of the accusation of greenwashing by stakeholders. They argue that greenwashing needs to be viewed as a ‘phenomenon in the eye of the beholder’. Consequently, more academic attention is turning towards the perceptions of greenwashing by stakeholders rather than greenwashing by the firm as an objective reality (de Vries et al., 2015; Nyilasy et al., 2013). A related construct is perceptions of ‘blue-washing’, which refers to a perception that a firm is making untrue claims of adhering to the principles of the United Nations’ Global Impact (Pomering & Johnson, 2009).

In summation, the construct of perceptions of greenwashing has been used in literature to refer to the evaluation by a stakeholder about whether the firm is truthful in its claims about its CSR. Some authors focus on the claims made by the firms regarding environmental causes, while others have considered the claims towards both environmental and social causes. For the sake of this chapter, we consider the claims of the firm in both domains in line with recent research, and refer to assessments of this question as perceptions of greenwashing.

2.2.2 Does the firm engage effectively in CSR?

The second type of evaluation that stakeholders make towards the CSR of the firm deals with whether the firm effectively engages with CSR. Perception of CSR is the most widely used construct in literature dealing with this type of evaluation. Interestingly, there is considerable variation in the scales that have been used in literature to measure these perceptions.

A commonly used scale (J. (Sunny) Kim et al., 2016; Moon et al., 2014) is based on Maignan and Ferrel's scale (2000) used to measure corporate citizenship. This scale is derived from the four dimensions of CSR identified by Carroll (1991): economic, legal, ethical and philanthropic. The scale asks participants to rate the degree to which they agree that the firm has good CSR in each of these dimensions. While the four dimensions can be aggregated to come to a general score of how positively a stakeholder views the CSR of the firm, the scale is particularly useful in highlighting the differences in potential consequences for each dimension of CSR (Rego et al., 2010; Wang, Tsai, & Lin, 2013).

While some authors use all 4 dimensions, others exclude different dimensions from the scale (Closon et al., 2015; Dhanesh, 2014). Rupp et al. (2013) make the argument that the current understanding of CSR is captured by the discretionary dimension of the scale alone. The premise of the argument is that for stakeholders, the general understanding of CSR includes actions that the firm voluntarily undertakes to target social and environmental causes, and therefore actions undertaken by the firm towards the other identified dimensions of CSR should not be considered when measuring perceptions of CSR. For instance, cost cutting measures taken by the firm to boost profitability, while may be considered a component of the 'economic' dimension of CSR under Carroll's definition, are not consistent with what stakeholders generally think of when they invoke the idea of CSR, or with contemporary definitions of CSR according to Rupp et al (2013). Therefore, in measuring the perceptions of stakeholders, it may be more fruitful to focus on the discretionary aspects of CSR.

Another scale that has been used to measure perceptions of CSR categorizes dimensions of the CSR according to the target beneficiary group of the CSR (Öberseder, Schlegelmilch, Murphy, & Gruber, 2014; Turker, 2008b). Turker's scale, for instance, identifies four categories of stakeholder

groups: employees, customers, government and ‘social and non-social stakeholders’. The last category, labeled as social and non-social stakeholders, refers to the actions of the firm undertaken to protect and sustain the natural and social environment.

In this scale as well, some authors choose to replicate all dimensions of the scale (Hofman & Newman, 2013; Newman et al., 2014; Park & Levy, 2014). In other cases, authors choose to consider only certain dimensions based on their purpose of enquiry. For instance, De Roeck et al. (2014) consider only CSR directed towards employees and customers to capture perceived internal and external CSR. Similarly, Sheel and Vohra (2015), consider only the aspects of CSR falling under the category of social and non-social stakeholders.

This scale is particularly useful when the focus of research is on potential differences in how stakeholders respond to CSR directed towards different stakeholder groups (Arikan et al., 2016; Hofman & Newman, 2013; Newman et al., 2014; Park & Levy, 2014). As is the case with considering solely discretionary CSR in the scale based on Carroll’s CSR pyramid, the dimension of CSR directed towards social and non-social stakeholders aligns best with what is referred has been referred as the general understanding of CSR. Therefore, to get a general sense of the evaluations of CSR by stakeholders, it seems appropriate to focus solely on the dimension of CSR directed towards social and non-social stakeholders when capturing a general evaluation of a company’s CSR by stakeholders.

There are other scales used to capture stakeholder perceptions of CSR. Some authors have developed scales in order to better focus on a particular aspect of CSR, for instance internal CSR (Mory et al., 2016) or the social and environmental dimensions of CSR (Glavas & Kelley, 2014) while others have focused more on the assessments of precise actions of the firm rather than a more generalized assessment (Zhu et al., 2014).

In addition to the construct of perceptions of CSR, some authors have used related constructs in order to measure stakeholders' assessment of whether the actions of the firm under its CSR banner are 'good'. Some authors have used the construct of perceptions of corporate citizenship (Evans & Davis, 2014; Rego et al., 2010). Matten and Crane (2005) argue that a common understanding of corporate citizenship is a conflation with CSR. The measures used to capture stakeholder perceptions of corporate citizenship are based on the same measures rooted Carroll's pyramid of corporate citizenship (Evans & Davis, 2014; Rego et al., 2010; Wang et al., 2013).

Other authors have discussed perceptions of corporate social performance (Stites & Michael, 2016; Zhang et al., 2014). This construct is differentiated from perceptions of CSR by not including the economic responsibilities of the organization, which is in-line with recommendations by Rupp et al. (2013) to focus solely on the discretionary dimension of CSR.

While there are various constructs that have been described in the above paragraphs, the core measurement that they all seek to capture is whether the responding stakeholders evaluate the CSR of the firm as effective, which forms a separate kind of evaluation of the CSR of the firm. For the purpose of this chapter, we refer to assessments of this dimension as perceptions of CSR, and only consider the discretionary actions of the firm and directed towards social and environmental causes, in line with the recommendations of Rupp et al (2013).

2.2.3 Is the company engaging in CSR with good intentions?

A third kind of evaluation that has been discussed in literature dealing with stakeholder evaluations and reactions to CSR deals with the underlying motivations of the firm in engaging in CSR

activities. The construct used to capture this assessment in literature is stakeholder attribution of CSR.

The construct of attributions of motivations for engaging in CSR activities looks at what stakeholders perceive to be motivation for the firm to engage in CSR activities. Literature suggests that people, in their interactions, are affected by how they perceive the intent of others. Therefore, it is expected that stakeholders would be affected by how they perceive the underlying intent of the company when it engages in CSR.

Several studies have tested whether having intrinsic or extrinsic attributions towards CSR of firms leads to an impact on employee responses (Story & Neves, 2015; Vlachos et al., 2013). An intrinsic attribution refers to a perception by an employee that the company engaged in the CSR because it believed in the cause. Extrinsic motivation, on the other hand, refers to the perception of the employee that the company engages in CSR as a promotional tool to derive some benefit out of it. These attributions have also been labeled as ‘authentic’ and ‘instrumental’ motivations (Fryzel & Seppala, 2016).

Some authors argue for a more complex understanding of attributions, and suggest that intrinsic and extrinsic attributions need not be considered binary (Ellen et al., 2006; Vlachos et al., 2010). Employees can make more complex attributions in their minds, which can be a combination of the two. They, therefore, suggested four kinds of possible attributions: egoistic driven, values driven, stakeholder driven and strategic driven.

It is intuitive that an assessment that the firm engages in CSR due to values driven concerns should be considered an assessment that the firm has ‘good intentions’ while engaging in CSR. In addition, Ellen et al. (2006) suggest that stakeholders would also respond positively to the firm in

situations where they believe the firm engages in CSR for strategic concerns. In that case, we could surmise that the stakeholder believes that the intentions of the firm are good. They suggest that stakeholder driven attributions and egoistic driven attributions by stakeholders do not yield positive responses for the firm, and therefore would not be considered good intentions. However, in a study based on responses of a firm's sales force towards the CSR of a firm, Vlachos et al. (2010) suggest that stakeholder driven attributions would also yield positive outcomes for the firm, indicating that stakeholder driven attributions may also be considered to be perceptions of good intentions. On the other hand, it may be argued that some stakeholders may not consider a firm engaging with CSR due to strategic concerns to be truly well intentioned.

In order to avoid the potential ambiguity about whether strategic and stakeholder driven attributions reflect an assessment by a stakeholder that the firm is well intentioned, we restrict our analysis to attributions of values driven motivation for CSR as a reflection of a company engaging in CSR for good intentions. This also helps in keeping the analysis consistent with literature that treats attribution of motivation as a binary judgment, since attributions of authentic or intrinsic motivations map onto the construct attribution of values driven motivation of CSR.

While there are some differences in how attributions are measured, and the different kinds of possible motivations that a firm may have in engaging in CSR, the focus of these questions is again on a distinct evaluation. Attribution of motivation tries to capture a stakeholder's judgment of why the company engages in CSR, rather than the quality of the CSR or whether the firm is truthful in its claims about the CSR. In our analysis, we consider the perception of whether a company engages in CSR due to values driven motivations and refer to it in further analysis as attribution.

2.2.4 Is the company moral?

The last kind of evaluation we identify in prior literature deals with whether the company is a moral company because of its engagement with CSR.

Recently, attention has turned to a global judgment of third party justice in the company as a measure for perceptions of CSR (De Roeck et al., 2016; Panagopoulos et al., 2016; Shin, Hur, & Kang, 2016; Vlachos et al., 2014). This scale is generally based on the works of Du et al. (2007) and Wagner et al. (2009) and asks respondents three to four questions to gauge their overall judgment of the company. Notably, the attitude object in these scales is the company itself, rather than the actions of the company.

As an illustration to contrast this measurement from stakeholders' assessments of the CSR actions of the company, the three questions used by the De Roeck et al. (2016) are: [Name of company] is a socially responsible company, [Name of company] follows high ethical standards and [Name of company] is concerned with improving the well-being of stakeholders and society at large. As the authors suggest, perceptions of CSR through this measure are 'operationalized as a global, trait-like entity judgment' (De Roeck et al., 2016, p. 1149)

A similar construct, measuring perceptions of third party justice has also been used in literature (Dunford et al., 2015). The characteristic of this kind of evaluation, as we have argued, lies in the fact that the attitude object which stakeholders evaluate is not the CSR of the firm, but the firm itself. While the construct has been labeled as perceptions of CSR in prior literature, we refer to this dimension as perceptions of third party justice to separate it from the assessment of the perceptions of the actions of CSR that the firm undertakes.

A summarization of the different constructs that have been used in prior literature, that can be categorized as capturing different conceptually distinct kinds of evaluations is presented in Table 2.1.

2.3. Method

Since the answering of the remaining questions highlighted in the introduction requires data analysis, it is suitable to first discuss the data collection procedures for the study. We also present the scales used in the study to capture the different conceptually distinct evaluations here. The data were analyzed using Stata version 12 for the exploratory factor analysis, the confirmatory factor analysis and the structural equation modeling.

Is the company truthful about its CSR?	Does the firm engage effectively in CSR?	Is the firm engaging with CSR with good intentions?	Is the company moral?
<ul style="list-style-type: none"> ○ Greenwashing ○ Perceptions of Greenwashing ○ Perceptions of Blue-washing 	<ul style="list-style-type: none"> ○ Perceptions of CSR <ul style="list-style-type: none"> ➤ Discretionary dimension ➤ Directed towards social and non-social stakeholders ○ Perceptions of Corporate Citizenship ○ Perceptions of Social Performance 	<ul style="list-style-type: none"> ○ Attribution of Authentic motivations ○ Attribution of Intrinsic motivations ○ Values-driven Attribution 	<ul style="list-style-type: none"> ○ Perceptions of CSR <ul style="list-style-type: none"> ➤ Global Judgment ○ Perceptions of third party justice

Table 2.1: List of conceptually distinct evaluations

2.3.1 Data Collection

The data was collected using Amazon Mechanical Turk (MTurk) and we received a total of 646 responses. 102 of these responses were incomplete, and were therefore excluded from any subsequent analyses. We had originally requested for 500 responses at the platform, and the high ratio of incomplete responses reflects those respondents who became aware that the quota had been filled while they were responding. We believe that once respondents were made aware by the platform that the quota had been filled, most of the respondents stopped filling out the survey forms.

In order to mitigate the potential risk of inattentiveness by respondents, there were attention checks they had to fill out during the survey. Additionally, we also eliminated any participants who had taken less than 5 minutes in completing the survey from data analysis to ensure that inattentive participants were not included in the final data set. The survey was estimated to take around 5-8 minutes to complete without any distractions. The demographic details of the participants eliminated were not significantly different from those who were included in the analysis, therefore the risk of a selection bias does not seem to be evident in the elimination and retention process. After this process of elimination, we were left with responses by 462 participants, which were used for further analysis.

59.7% of the respondents were from the US, 32.5% were from India and the remaining were from other parts of the world. The minimum age among the participants was 18, while the maximum was 67, with an average age of 35 years. In addition, 55.6% of the participants were male, while the remaining 44.3% were female. None of these demographic variables had a significant effect on the dependent variable.

2.3.2 Measurement of constructs

In order to test the hypotheses for a stakeholder group, we have chosen to use employees as the perceivers in this chapter in order to control for any extraneous variations due to the focal stakeholder group.

Evaluation	Original Construct	Source	No. of Items	Cronbach's Alpha
<i>Is the firm truthful about its CSR?</i>	Perceptions of Greenwashing	de Vries et al. (2015)	3	0.691
(Adjusted)	Perceptions of Greenwashing	de Vries et al. (2015)	2	0.85
Sample Question: I think my company pretends to be more environmentally friendly than it actually is.				
<i>Does the firm engage effectively in CSR?</i>	Perceptions of CSR (Social & non-social stakeholders)	Turker (2008)	6	0.926
Sample Question: Our company contributes to campaigns and projects that promote the well-being of the society.				
<i>Is the firm engaging in CSR with good intentions?</i>	Attributions of Motivation for CSR (Values driven)	Ellen et al. (2006)	5	0.919
Sample Question: (My company engages in CSR because...) They feel morally obligated to help				
<i>Is the company moral?</i>	Perceptions of CSR	De Roeck et al. (2016)	3	0.872
Sample Question: My company follows high ethical standards				

Table 2.2: Constructs used to capture different evaluations

As stated earlier, the measurement instruments used in the study are those that have been used in existing literature. The respondents were asked to respond on a Likert scale ranging from 1 to 7 to show their agreement or disagreement with the presented statements. Itemized details regarding the scales used are presented in Table 2.2.

2.4 Question 2: Are these conceptually different evaluations statistically discrete constructs?

In order to test whether the four different types of evaluations that stakeholders make when they consider the CSR of a firm are statistically distinct, the sample was randomly divided into two segments and one of these sub groups of the sample were used in order to conduct exploratory factor analysis (EFA). In EFA, principal factor extraction was used and the factors were rotated using oblique promax rotation due to the expectation that there might be some degree of covariation between the different dimensions.

2.4.1 Findings

Suitability of the data for factor analysis was examined at the initial stage for 232 participants from the data pool. Among the 16 variables used in the analysis, there were 96 significant bivariate correlations among the total 120 possible ones. In addition, the Kaiser-Meyer-Olkin measure of sampling adequacy was calculated to be 0.929, which is above the recommended value of 0.8 and

Bartlett's Test of Sphericity reached statistical significance (Hair, Black, Babin, Anderson, & Tatham, 2006). The results show that the data is very suitable for exploratory factor analysis.

Since the core purpose of factor analysis in this case was to identify the underlying structure of the relationships, rather than data reduction, we used an exploratory approach by experimenting with different numbers of factors (Tabachnick & Fidell, 2007) to reach a satisfactory solution. The original solution had 8 factors with a positive eigenvalue, with 2 having an eigenvalue greater than 1. After examining a number of different factor structures, and comparing the results, the best representation of the data was selected (Hair, Anderson, & Tatham, 1990). Based on rotated loadings higher than 0.4 on any factor. The cut-off of 0.4 was chosen since it exceeds the upper bound of the minimum level for interpretation of structure in terms of practical significance, and requires a sample size larger than 200 participants to be considered statistically significant (Hair, Black, Babin, & Anderson, 1992).

The rotated solution with 5 factors revealed a simple structure, with all factors having strong loadings and all variables loading significantly on a single factor. A representation of the rotated loadings and communalities is presented in Table 2.3. The loadings were largely in line with our expectations with one exception.

Three questions related to an evaluation of the firm itself, rather than the referring to actions of the firms loaded onto a single factor. Similarly, in line with expectations, the two questions related to greenwashing loaded on to a single factor. In the same vein, in line with expectations, the items related to the underlying intention of the firm also loaded on to a single factor. These loadings reflect that within the data, these three can be considered to be different dimensions of the evaluation of the firm's CSR by employees.

The exception to expectations refers to the result that variables representing perceptions of CSR loaded on to two separate factors rather than a single factor as was expected. An examination of the variables showed that the questions were slightly different in nature. One of these dimensions was centered around evaluations of the firm's CSR in terms of its environmental responsibilities, for instance "Our company implements special programs to minimize its negative impact on the natural environment". The other dimension considered societal responsibilities, for instance "Our company supports the non-governmental organizations working in the problematic areas". This demonstrates that the measures for the actions of the firm can actually be considered two distinct dimensions. One dealing with the responsibilities of the firm towards societal causes, and the other dealing with environmental causes. In other words, the data suggests that employees make independent evaluations of whether the firm is doing well in terms of its fulfillment of societal responsibilities and environmental responsibilities.

2.4.2 Discussion

As can be seen from the results presented in Table 2.3, there seem to be 5 statistically discrete evaluations that stakeholders make towards the CSR of firms. The exploratory factor analysis shows that there are no overlaps among these five evaluations, and all evaluative questions collapse into these five categories.

The first evaluation highlighted in Table 2.3 deals with an overall evaluation of the firm's morality, whereby the evaluators are considering whether the firm is a socially responsible member of society. We will refer to this dimension as perceptions of third party justice in subsequent sections.

Variable	Factor1	Factor2	Factor3	Factor4	Factor5	Communality
The company I work in follows high ethical standards	0.1408	0.0602	0.7296	0.0098	-0.0396	0.7788
The organization I work in is a socially responsible company	0.1827	0.0642	0.7463	-0.0231	0.0175	0.8316
The organization I work in is concerned with improving the well-being of stakeholders and society at large	0.1319	0.0565	0.6582	0.0511	0.0461	0.6864
I think the company I work for pretends to be more environmentally friendly than it actually is	0.0341	-0.0424	0.0813	-0.0109	0.8198	0.6549
I believe my company has a hidden agenda with regards to its CSR efforts	-0.0413	0.0503	-0.08	0.0266	0.7832	0.647
Our company participates to the activities which aim to protect and improve the quality of the natural environment	0.104	0.8174	0.0305	-0.0265	-0.0012	0.7938
Our company makes investment to create a better life for the future generations	0.1138	0.5684	0.2908	0.0123	-0.0384	0.7583
Our company implements special programs to minimize its negative impact on the natural environment	0.0732	0.8742	-0.0442	-0.0424	0.0467	0.7772
Our company targets a sustainable growth which considers the future generations	0.0412	0.7264	0.1017	0.1152	-0.0305	0.8049
Our company supports the non-governmental organizations working in the problematic areas	0.2367	0.1849	0.0043	0.4953	0.0294	0.6699
Our company contributes to the campaigns and projects that promote the well-being of the society	0.0581	0.2403	0.2215	0.477	0	0.7463
They feel morally obligated to help	0.6844	0.0781	0.0036	0.1452	-0.1	0.7187
They have a long-term interest in the community	0.6473	0.0568	0.2127	0.0353	0.0218	0.7662
Their owners or employees believe in the cause	0.7939	0.0833	0.1452	-0.0876	-0.0165	0.8165
They want to make it easier for consumers who care about the cause to support it	0.7445	0.1733	-0.0238	0.0293	0.0737	0.7677
They are trying to give something back to the community	0.6805	0.0309	0.2337	-0.0233	0.0063	0.7514

Table 2.3: Rotated Results of Exploratory Factor Analysis

The second evaluation highlighted in the table deals with whether the firm is truthful in its claims about CSR. In the following chapters, we refer to this evaluation as perceptions of greenwashing. The third dimension considers whether the firm effectively engages with CSR in terms of its environmental impact, and future generations. We label this evaluation perceptions of CSR – environmental for the purposes of clarity. The fourth evaluation considers whether the firm effectively engages with CSR in terms of its societal responsibilities. We refer to this evaluation as perceptions of CSR – societal. The last dimension considers the stakeholders’ evaluation of whether the firm engages in CSR due to intrinsic, morally grounded reasons rather than for instrumental purposes. We refer to this evaluation in subsequent sections as moral attribution of motivation.

2.5 Question 3: Do the identified evaluations form dimensions of a higher order construct?

To test whether the evaluations identified in the previous section for dimensions of a higher order construct, we used confirmatory factor analysis that was run on the second half of the original sample. Testing for the existence of a higher order construct requires first a testing of whether the dimensions identified through exploratory factor analysis share statistically significant covariation with each of the other dimensions. Secondly, it requires that the data fit the suggested relationship structure identified. Findings for confirmation of both conditions are presented below.

2.5.1 Findings

Data from the remaining 230 participants in the pool was used for confirmatory factor analysis of the 5 identified factors to test if the factors were different dimensions of the same construct using the covariations between the different dimensions. The results showed that perception of greenwashing was not related to perceptions of CSR or attributions of motivation. This suggests that employees' evaluations of whether their firm is engaged in greenwashing is not related to their evaluations of whether the actions of the firm are good and whether the firm engages in CSR with morally driven intentions.

As a result, the dimension for the perception of greenwashing was dropped as a dimension, and the remaining 4 dimensions were tested again. Covariances between all the remaining factors were statistically significant, reflecting that the factors could be considered to be dimensions of a higher order construct.

Reflecting the likelihood ratio, the chi-squared was statistically significant, but that can be expected in larger data sets with a large number of variables even in cases where the data fits the model (Hair et al., 2006). As shown in Table 2.4, the four factor model provided the best fit of the model. For comparison, the three factor model combined the separated perceptions of CSR – environmental and perceptions of CSR - societal and the two factor model further combined attribution and perceptions of third party justice. The fit statistics for the four factor model were chi-square = 174.151, with 71 degrees of freedom; root mean squared error of approximation (RMSEA) = 0.079; comparative fit index (CFI) = 0.956 and the non-normed fit Tucker-Lewis index (TLI) = 0.943, which are within the limits prescribed by Hair et al. (2006). All these measured denote a good fit of the data for the sample size and the number of variables (Hair et al.,

2006, p. 753). The results of the confirmatory factor analysis indicate that the 4 dimensions identified by the exploratory factor analysis are four first-order factors corresponding with a higher order evaluation by employees.

2.5.2 Discussion

The first inference that we can draw from the results of the confirmatory factor analysis is that while the evaluations about the truthfulness of a firm's claims about its CSR, generally captured through the construct of perceptions of greenwashing, is a separate evaluation as identified by the exploratory factor analysis, it is not a dimension of the higher order construct. This suggests that evaluations by employees that their firm is engaged in greenwashing is separate from, and is made independently of, the other evaluations by employees towards the CSR of the firm.

Model	Chi-square	df	RMSEA	AIC	CFI	TLI	SRMR	CD
4 Factor model	174.151	71	0.079	8765.437	0.956	0.943	0.036	0.991
3 Factor model	194.215	74	0.084	8779.501	0.948	0.937	0.037	0.984
2 Factor model	204.9	76	0.086	8786.186	0.945	0.934	0.038	0.977
1 Factor Model	248.885	77	0.099	8828.171	0.926	0.913	0.041	0.954

Table 2.4: Confirmatory factor analysis model fit comparison

Secondly, the confirmatory factor analysis shows that the other remaining four evaluations form dimensions of a higher order construct highlighting that all these evaluations do in fact have inter-dependencies among each other.

2.6 Question 4: What is the structure of relationships among the identified dimensions?

Since there is evidence that there are four distinct, conceptually delineated, evaluations that form dimensions to a higher order evaluation that employees make towards their firms' CSR initiative, the last question that this chapter seeks to address deals with the inter-relationships among these dimensions.

2.6.1 Findings

To identify the relationship structure among the four dimensions identified, a number of nested models were tested to find the best model in terms of both the goodness of fit and simplicity of the model. This was done by comparing the Akaike Information Criteria (AIC) and the Bayesian Information Criteria (BIC), which are used as comparison tools among competing nested models along the dimensions of goodness of fit and parsimony.

The best alternative among the models with acceptable fit levels came from a model where perceptions of CSR - social acted as an antecedent to perceptions of CSR – environmental and moral attribution of motivations. Perceptions of CSR – environmental and moral attributions of motivation, in turn, lead to perceptions of third party justice. Additionally, perception of CSR – environmental and moral attribution of motivation shared a covariance. The model, along with its unstandardized coefficients, is shown in Figure 2.1. All denoted paths were statistically significant at 99%, and the model fit indices denote a good fit. Chi-squared was not significant as expected, RMSEA was 0.073, the Tucker-Lewis index was 0.959 and SRMR was 0.032. The statistically

significant relationships and the results of the fit indices reflects that the data supports the relationship presented. The results of the measurement and structural models are presented in Table 2.5.

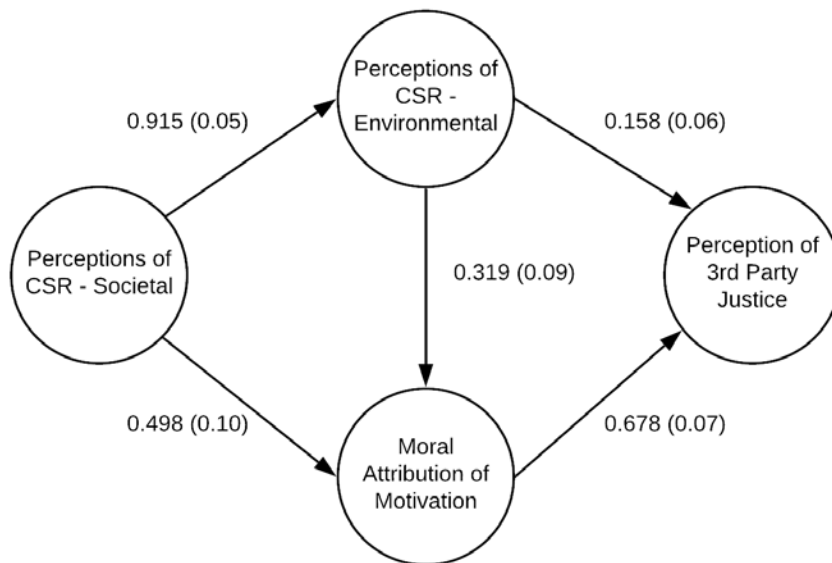


Figure 2.1: Structural Representation of Emergent Model

2.6.2 Discussion

One of the surprising results from the best fit model is that the evaluations that employees make towards the CSR of the firm directed towards society their evaluations of the CSR directed towards the environment. It is also interesting to note that the relationship between evaluations of the CSR towards society and evaluations of the general morality of the firm (denoted by perceptions of third party justice) are fully mediated by evaluations of CSR towards the environment and moral attributions.

The explanation of this surprising conclusion may be found in the idea of ‘proximity’ as a stakeholder attribute for determining the salience of a stakeholder (Driscoll & Starik, 2004). It is argued that the closer we are to a stakeholder, the more relevant they seem. In the minds of the employees evaluating the CSR of the firm, it seems that society around them seems closer than the future generations that will come later. However, simultaneously, employees realize the magnitude and importance of caring for the environment. Therefore, as a result of proximity, employees use their evaluations of the firm’s CSR towards society as a cue for how they evaluate the environmental performance of the firm’s CSR. On the other hand, the relative importance that they give to their evaluations of the firm’s environmental CSR is significantly higher and therefore it mediates the relationship between their evaluations of the firm’s CSR towards society and evaluations of morality of the firm.

2.7 General Discussion

In considering the five questions that were highlighted in the introduction, the study presented presents a number of interesting insights into the different evaluations that employees make towards the CSR of their firm. In addition to compiling the different evaluations made by employees discussed in prior literature, the essay first draws conceptual boundaries among these different evaluations. Secondly, the essay demonstrates and highlights that these conceptually different evaluations are also statistically distinct. Once these conceptual boundaries are established and statistically segregated, the study considered whether all these different evaluations are inter-dependent and found that there was evidence to suggest that all but one of these evaluations were inter-dependent.

	Coeff	Std Error	z	P> z	[95% Confidence Interval]	
Structural Model						
Env PCSR <-- Soc PCSR	0.915	0.053	17.02	0	0.809	1.020
Attribution <-- Env PCSR	0.319	0.092	3.44	0.001	0.137	0.501
Attribution <-- Soc PCSR	0.498	0.108	4.57	0	0.284	0.711
Justice <-- Env PCSR	0.157	0.055	2.86	0.004	0.049	0.265
Justice <-- Attribution	0.677	0.070	9.56	0	0.538	0.816
Measurement Model						
Soc PCSR						
SocPCSR1	1	(constrained)				
SocPCSR2	0.961	0.047	20.15	0	0.867	1.055
Env PCSR						
EnvPCSR1	1	(constrained)				
EnvPCSR2	0.948	0.040	23.3	0	0.868	1.028
EnvPCSR3	1.035	0.041	24.71	0	0.953	1.117
EnvPCSR4	1.028	0.040	25.42	0	0.948	1.107
Attribution						
Attribution1	1	(constrained)				
Attribution2	1.074	0.052	20.55	0	0.971	1.176
Attribution3	1.005	0.048	20.57	0	0.910	1.101
Attribution4	1.012	0.049	20.43	0	0.914	1.109
Attribution5	1.049	0.051	20.37	0	0.948	1.150
Justice						
Justice1	1	(constrained)				
Justice2	1.092765	0.048	22.34	0	0.996	1.188
Justice3	1.006427	0.058	17.21	0	0.891	1.121

Table 2.5: Structural equation modelling results

While it is interesting to note that the evaluations about the firm's CSR, the underlying motivations of the firm and the firm's morality are inter-dependent, it is also quite interesting to note that employees' evaluations of whether the firm is engaged in greenwashing is independent of the other evaluations. This is contrary to the finding by McShane and Cunningham (2011, p. 87) that employees use alignment between statements and actions of the firm as a cue for the firm's authenticity in CSR. A possible explanation of this finding from our study could be that there might be an expectation among participants that a certain degree of exaggeration is anticipated when organizations discuss their CSR programs. It is understood, accepted and disregarded as an expected occurrence.

Another interesting insight of the study is that the effect size of attribution of motivation is much larger than the perception of CSR on perceptions of third party justice. This suggests that the question of intentions weighs more in the minds of stakeholders when making judgments about whether the company is socially responsible than the question of the quality of the actions that the company undertakes under its CSR umbrella. This supports the assertion that "people may care less about what the firms are doing than about why they are doing it" (Vlachos et al., 2010, p. 1209).

2.7.1 Evaluations of CSR and Authenticity

It is apparent that the different evaluations discussed in the chapter towards a firm's CSR are inherently capturing different aspects of authenticity. The idea of authenticity has been discussed in literature dealing with CSR in different contexts and using different perspectives on authenticity.

Authenticity is defined in the context of leadership as an attribute of being ‘true to self’ (Avolio, Gardner, Walumbwa, Luthans, & May, 2004; Davis, Eisenhardt, & Bigham, 2007; Gardner, Cogliser, Davis, & Dickens, 2011). Being true to self implies that the actions of an individual are authentic if they are in line with their inner selves. The judgment of whether the actions are, in fact, in line with their true selves lies with the actor.

This idea of being true to self has been discussed in the CSR context by McShane and Cunningham (2011). Their work, “drawing on the basic premise of being true to oneself, focuses more specifically on the authenticity of the organizational self” (p. 83). They consider the perceptions of authenticity by employees but focus on the dimension of authenticity dealing with the alignment between organizational identity and its CSR programs. As a result, perceptions of authenticity are considered a judgment of how much the actions of a company, with respect to its CSR policies, align with the identity of the firm.

In literature dealing with organizational strategy, authenticity is seen as the tension between distinctiveness and relating to the social context (Liedtka, 2008). Maurer et al. (2011) also discuss the way value can be created using what they call culturally informed resource based view. They suggest that the social context facing firms is not static, and therefore firms need to actively manage some aspects of their context by building bridges social values between the firm and the context. They suggest that only “when publicly espoused value bridges are consistent with internally held value bridges will the firm’s bridging efforts be seen as genuine and authentic” (page 444). As a result, the tension between the ‘distinct’ values of the firm and the connection to the societal context becomes the domain of authenticity.

Mazutis and Slawinski (2014) have discussed this aspect of authenticity within the CSR field. They suggest that the two dimensions of authenticity of CSR are distinctiveness and social connectedness and stakeholders rate a firm's CSR based on these two dimensions.

A perspective on authenticity that has not been discussed explicitly in literature dealing with CSR is from the point of view of 'authenticators'. Peterson (2005) suggested that the focus of discussion when talking about authenticity should be on what he calls the 'arbiters' of authenticity. Based on the findings of this study and the central role of the stakeholders in making evaluations about the CSR of a firm, we believe that this perspective of authenticity needs to be explored further in terms of implications to the field of the micro foundations of CSR.

Depending on the context of the research, and the perspectives of authors, there are a number of different dimensions identified for the concept of authenticity. Despite these differences, these classifications seem to gravitate towards three ways that authenticity is defined and judged. We attempt here to categorize the different classifications by different authors and argue for a transposition of these three streams to the context of judgments of authenticity in CSR.

The first aspect of authenticity relates to whether an object is what it is claimed to be. Grayson and Martinec (2004) refer to this as indexical authenticity. Vink et al. (2008) refer to a pure (literal) authenticity as a perception that the product is completely unchanged from the original. Peterson (2005) refers to a similar aspect of authenticity by referring to authentication by experts. He suggests that the 'truth' of the authentic nature of an object in this dimension could be determined by experts as they would be more capable of validating the 'authenticity' of the object. Validation of this kind of authenticity requires a real 'index' against which the claim is tested using objective evidence.

In the context of CSR, the analogous dimension of stakeholder evaluations of CSR to this aspect of authenticity is perception of greenwashing, which considers the claims of the organization about its CSR as the 'index' to judge its validity. Counter intuitively, this aspect of the judgment towards the CSR of the firm was not a dimension of the higher order construct of authenticity.

The second aspect of authenticity is what Grayson and Martinec (2004) refer to as 'iconic' authenticity. Iconic authenticity is described as 'something whose physical manifestation resembles something that is indexically authentic'. A judgment regarding this requires that the perceiver has some pre-existing knowledge or expectation of the characteristics of the original. Vink et al. (2008) discuss a similar concept of approximate authenticity, which refers to mental image of what an authentic article would be like, and the degree of similarity to that mental image generates a perception of authenticity. Peterson (2005) refers to the authentication process in this dimension of authenticity as 'authentication by end users'.

In terms of the evaluations discussed in the preceding sections, this aspect of authenticity is captured by the perceptions of CSR towards both societal and environmental stakeholders. The mental image that employees have of what the firm should do in terms of its CSR serves as the prototype against which they judge the CSR actions of the firm.

A last dimension of authenticity found in literature related to brands deals with the intentions of the producer. Grayson and Martinec suggest that this is another form of indexical authenticity where the spatio-temporal link between the two objects is psychic, rather than physical. Vink et al. (2008) refers to this as moral authenticity, and Beverland (2005) suggests that appearing above commercial interests serves as a clue to aid the arbiter of authenticity in making their judgments. Moral attributions of CSR capture this dimension of authenticity in the context of employee evaluations of CSR.

2.8 Conclusion

2.8.1 Theoretical Contributions

Gond et al. (2017), in a recent systemic review of literature in the area of micro foundations of CSR, identify construct clarification as a key challenge that needs to be addressed to advance research in the field. This study attempts to consolidate the different evaluations that stakeholders make about the CSR of a firm and develop a clearer understanding of the relationships that exist among these different evaluations. While this study does not develop a psychometric measurement tool for measuring evaluations of CSR, as Gond et al. recommend, it clarifies the relationship structure that exists among the different existing constructs in the field.

In focusing on the underlying questions asked by each construct, and not the label used for the construct, the study clarifies another area of some potential ambiguity. The most widely used construct to capture stakeholder evaluations of CSR is perception of CSR, and yet there is variation in the kind of evaluation that is invoked by the construct. As we have identified, while some studies use perception of CSR to capture a generalized assessment that a stakeholder makes towards the actions of the company regarding its CSR, others have used the same construct to capture an assessment of the company itself rather than its CSR. It is an important distinction to highlight, since there may be considerable differences in the antecedents and consequences of each.

The study also provides evidence of the expectation that stakeholders respond more to their judgment of why a firm engages in CSR, relative to their judgment of how good the CSR is. While this has been discussed in prior research (Vlachos et al., 2010) based on research in other fields, it was not empirically tested previously.

An interesting theoretical insight generating from the confirmatory factor analysis was the fact that perceptions of greenwashing did not have an effect on either perceptions of CSR or on attributions of motivation. As discussed above, this seems to suggest that stakeholders do not hold firms to account when they believe that the firm is not being completely truthful in its claims about CSR. Theoretically, this suggests that while the other evaluations of CSR discussed in this study belong to a higher order construct, perception of greenwashing is a separate and distinct evaluation that stakeholders make.

Another surprising finding of the study was that there was no variation in the structure of inter-relationships among these evaluations based on the country of origin of the respondents. This suggests that while there may be differences in the evaluations that people from different cultures and countries make, the structure of how these different evaluations relate to each other is not affected by differences in culture.

2.8.2 Managerial Implications

The primary benefit of developing an integrated understanding of stakeholder evaluations of CSR for practitioners is to provide a clearer insight into the way these different evaluations relate to each other. While prior research has focused on these different kinds of evaluations independently, the findings of this study highlight that these different evaluations may not be independent in reality. If, for instance, a stakeholder initially believes that the underlying intent of the company for engaging in CSR is good, but has a negative assessment of the actions the firm is taking, this assessment may start effecting the stakeholder's belief about the intentions of the firm over time.

As an added consequence of the framework, firms can attempt to diagnose and narrow down problems in stakeholders' evaluations of their CSR.

An interesting implication of the findings of the study is that attributions of motivation have a greater effect on stakeholders' evaluations of the firm than their perceptions of CSR. The covariation model of attribution theory (Kelley, 1973) identifies distinctiveness as a consideration for people when making attributions of motivation, which means consistency of behavior under different situations. This would suggest that in addition to the actions of the firm towards the CSR, stakeholders would also consider the actions of the firm which do not fall under the umbrella of CSR in order to assess why the firm engages in CSR. Therefore, in order to generate instrumental benefits of CSR, firms need to ensure that their actions in domains that are not generally considered to be a component of CSR are also positive signals to stakeholders.

Another interesting and surprising insight from the study was the fact that perceptions of greenwashing were not a part of the higher order construct of authenticity of the firm and its CSR. While the finding seems counter-intuitive, it leads to surprising implications for practitioners. It essentially means that even if a stakeholder does not completely believe the claims of a company about its CSR, or the fact that they are grounded in reality, it is still possible for the stakeholder to develop positive attitudes about the CSR actions of a firm, the intentions of the firm and the morality of the firm. Surprisingly, at the very least, this suggests that stakeholders may be tolerant to some degree of exaggeration in the claims that a company makes about its CSR.

The fact that CSR directed towards societal stakeholders serves as a cue to employees in terms of how they evaluate the firm's CSR towards environmental causes and how they attribute the motivation of the firm for engaging in CSR. This suggests that it might be beneficial for managers to consider directing CSR towards more proximal stakeholder groups in order to get the attention

of employees. Once employees become aware of, and develop positive evaluations of the firm's CSR towards these proximal stakeholder groups, the firm can start engaging in CSR directed towards the environment, which has a larger effect on the evaluations of the firm itself.

2.8.3 Limitations and Future Research

One of the central limitations of this study is that it is based on cross sectional data, which implies that the temporal order of the evaluations is not clear. While we have attempted to present theoretical arguments to suggest the directions of causal relationships in the study, we cannot, with certainty, infer the causal flow of the cognitive structure of these attitudes. For this reason, it would be advantageous in future studies to collect longitudinal data to make these inferences or to conduct a study in experimental conditions.

Secondly, for this study, the respondents were asked to provide their responses based on the CSR of companies they worked in. This decision was based firstly on our expectation that the structure of evaluations that people make about a firm's CSR would be similar, even if the evaluations themselves are not. Our interest was in looking at this underlying structure, and not on how a company's CSR is evaluated. This expectation was validated by the fit indices of the factor analyses and structural equation modeling. Additionally, if there were any company-specific variations, they were expected to even out due to the size and variation of the sample. However, it would be interesting for future research to validate the findings of this study further by controlling for this potential source of variation by collecting data from a single firm.

Lastly, as has been identified in prior research (Rodrigo & Arenas, 2007), there may be differences in the degree to which employees care about the CSR programs of their firms. While it may be

very important for some employees, others may be quite indifferent to it. Since this study focused only on how stakeholders make evaluations of CSR, and not on their subsequent responses towards the firm, this aspect was not explored in the study. However, future research can explore the question of whether these differences in stakeholders' concern with CSR of a firm act as boundary conditions to their responses to the CSR.

Chapter 3: Perceptions of CSR and Employee

Responses: How meaningful is meaningfulness?

3.1 Introduction

It has been argued that when CSR of a firm is internally focused, it provides employees with reassurance in terms of their safety and security regarding their interactions with the firm (Bauman & Skitka, 2012; Rayton et al., 2015). This sense of security translates to higher levels of organizational trust (Y.-K. Lee, Kim, Lee, & Li, 2012). Similarly, it has also been argued that when the CSR of a firm is based on the values of the employees of the firm, employees find their work more meaningful (Liedtka, 2008). In the same vein, when the broader community has a positive view of a firm's CSR, employees form more positive perceptions of the external prestige of the firm (H.-R. Kim, Lee, Lee, & Kim, 2010). This perceived prestige results in a stronger identification with the firm, which translates to higher levels of affective commitment with the firm (Turker, 2008a).

Differences in the CSR actions of a firm, therefore, can have different effects on the organizational trust, affective commitment and meaningfulness assessments of employees within the firm. These three employee attitudes, as a response to the CSR of a firm also represent reactions to three different needs that are arguably fulfilled in employees as a result of their firm's CSR actions based on arguments from the organizational justice theory. These three kinds of needs are categorized as security needs, social needs and deontic needs respectively (DE Rupp et al., 2006). In turn, based on the norm of reciprocity of Social Exchange Theory, employees respond to the firm to reward it for fulfilling their needs (Mory et al., 2016).

In terms of security needs, if employees perceive the CSR of the firm positively, it reflects that they believe that the firm is concerned about the welfare of other people and communities outside the organization. This concern for others reflects that the organization will also be concerned about the welfare and interests of the employees, and will be fair in its dealings with them (Deborah Rupp, Ganapathi, Aguilera, & Williams, 2006). The assumption that the firm will consider the effect of its actions on employees' welfare allows employees to be more vulnerable to the actions of the firm. The vulnerability of the employees towards the firms in cases where they cannot affect actions of the firms denotes organizational trust (Mayer et al., 1995). Organizational trust therefore captures an employee's response to the fulfillment of security needs. While there has been some attention paid to the role of trust as a mediator in the relationship between perceptions of CSR and employee responses (Hansen et al., 2011; West et al., 2015), it has not received proportionate attention in literature.

Regarding the social need fulfilled as a result of the CSR of the firm, the predominant explanation of why employees respond to the CSR of their firms, particularly in cases where employees are not the direct beneficiaries of these actions, has been rooted in social identity theory. The argument based on social identity theory suggests that a positive perception of CSR results in higher levels of perceived external prestige of the firm, which in turn leads to higher levels of identification with the firm, enhancing the self-concept of the employee (De Roeck et al., 2016). This higher level of identification manifests itself in a higher level of affective commitment towards the firm. Therefore, the more the firm fulfills the need of an employee to identify as a member of an organization that is viewed positively, the higher the level of affective commitment of the employee has towards the firm (Fu et al., 2014, p. 64).

Similarly, it has been argued that in addition to an instrumental response of employees responding to CSR as it enhances their sense of security or prestige, CSR also fulfills a deontic need of employees. It is suggested that even when they are not the ultimate beneficiary to an action, people respond negatively to actions they view as unjust and positively to action they view as just and fair (D. E. Rupp et al., 2013). “Working for an organization perceived as just ... satisfies individuals needs for a meaningful existence” (Deborah Rupp et al., 2006, p. 541). Meaningfulness has also been looked at as a mediator to the relationship between perceptions of CSR and employee reactions (Glavas & Kelley, 2014), but like organizational trust, it has also not received proportionate attention.

As can be seen then, different types of CSR can fulfill the security, social and deontic needs of employees, depending on the focus of the CSR actions. In turn, the fulfillment of these different needs can manifest in employee attitudes as organizational trust, affective commitment and meaningfulness respectively. In addition, these three employee attitudes have empirically been shown to mediate the relationship between employee perceptions of CSR and their reactions to it, and have thus been treated as the underlying mechanism through which employees respond to the CSR of their firm.

However, the role of each of these mediators has been looked at in isolation from the others. Therefore, prior research has only considered the attitudinal and behavioral responses resulting from the fulfillment of any one of these needs. Each of them, by itself, only provides a part of the picture of the underlying mechanisms for the relationship between employee perceptions of CSR and their responses to it.

Simply reviewing these separate streams of literature to get a more complete understanding of the underlying mechanisms of the relationship has two major drawbacks. Firstly, we are not able to

determine the relative importance of each of the mechanisms if we test each of them in isolation. A better understanding of relative significance of each mediator is not only essential to our theoretical understanding of why employees respond to CSR, but it may have consequential implications for practice. Secondly, organizational trust, affective commitment and meaningfulness may overlap with each other cognitively. As a result, it is important to separate the effect of the unique elements of each of these on the relationship between perceptions of CSR and employee reactions. Isolating the mediating effect of the unique elements of each of the three proposed mediators cannot be accomplished by looking at each in isolation.

The research objective of this study is to develop a more complete understanding of the underlying mechanisms between perceptions of CSR and employee reactions. To do this, we used structural equation modeling to the relationship of employee perceptions of CSR with job satisfaction and discretionary effort and the mediating role of organizational trust, affective commitment and meaningfulness.

The essay is structured to first replicate prior literature by testing the mediating role of each in isolation, and then demonstrating the alterations in our understanding when we test each of them together. We begin by looking at previous literature, and presenting hypotheses that we intend to test. We then describe the methods used in data collection and analysis, followed by the findings of our study. The results are then discussed in light of previous literature, highlighting the theoretical contributions of the study. We conclude by presenting some managerial implications and limitations of the study along with potential directions for future research.

3.2 Background Literature

Employee responses to perceptions of CSR have been looked at in literature extensively. A number of different attitudinal responses have been looked at. For instance, job satisfaction (Closon et al., 2015; Glavas & Kelley, 2014; Valentine & Fleischman, 2008), affective commitment (Brammer et al., 2007; Ditlev-Simonsen, 2015; Panagopoulos et al., 2016), lower organizational cynicism (Sheel & Vohra, 2015) and perception of ethical climate in the organization (Duane Hansen, Dunford, Alge, & Jackson, 2016). As a representative attitudinal response to perceptions of CSR, we consider job satisfaction to test our model. It has been looked at in a number of studies as represented earlier, and based on arguments made by those studies, we hypothesize that:

Hypothesis 1: *A positive perception of CSR is positively related to higher levels of job satisfaction.*

In addition to attitudinal responses, there is also considerable literature dealing with behavioral responses to CSR. There is evidence that a positive perception of CSR leads to higher levels of organizational citizenship behaviors (Fu et al., 2014; Newman et al., 2014; D. E. Rupp et al., 2013). Similarly, there is evidence in prior literature that positive perceptions of CSR are related with more effort (Edwards, 2016; Zhu et al., 2014) and performance (Shin et al., 2016; Vlachos et al., 2014). However, most studies that test the relationship with performance use self-assessments. As the behavioral component of the response to perceptions of CSR, we have considered the construct of discretionary effort given by the employees. This allows us to side-step the potential problems with using self-reported indicators of perception. Regarding discretionary effort, in line with prior literature, we hypothesize that:

Hypothesis 2: *A positive perception of CSR is positively related to higher levels of discretionary effort by employees.*

While the empirical evidence for the consequences of PCSR is substantial, there are multiple theoretical arguments that have been used in literature to explain why PCSR leads to attitudinal and behavioral reactions from employees. The most widely used explanation in literature is based on the Social Identity Theory (SIT) (De Roeck et al., 2016), which suggests that individuals prefer to associate with social groups that they believe to be prestigious (B. E. Ashforth et al., 2008; B. Ashforth & Mael, 1989). This closer identification to prestigious social groups derives from a desire to enhance their self-image (Dutton et al., 1994).

In the context of the relationship between CSR and employee reactions, the argument is that a positive perception of CSR of the company indicates external prestige of the organization (De Roeck et al., 2016). A closer identification with the firm allows employees to enhance their self-image through association with the prestigious organization (Evans & Davis, 2014; Newman et al., 2014). This closer association is reflected in the degree of affective commitment an employee has towards the company. In line with this argument, we hypothesize that:

Hypothesis 3: *The relationship between perceptions of CSR and (a) job satisfaction and (b) discretionary effort is mediated by affective commitment.*

Another explanation provided in literature for employees positively responding to their organizations' CSR is based on the multiple needs model of Organizational Justice and the Social Exchange Theory. The multiple needs model argues that the perception of justice fulfills multiple needs of individuals: instrumental, relational and deontic (D. E. Rupp et al., 2013; Vlachos et al., 2014). CSR fulfills instrumental needs of employees in terms of security and control. An organization engaging in CSR indicates to its employees that it is concerned about the welfare of others, and therefore it will be concerned for the welfare of the employees as well (DE Rupp et al., 2006, p. 540). The social needs of the employee fulfilled by CSR of the firm may take the form of prestige and enhancement of the self-concept, as described above. The fulfilment of deontic needs is based on employees' 'inherent and universally held conviction' for the fair treatment of all individuals. (D. E. Rupp et al., 2013).

The theoretical connection between the fulfillment of various individual needs and attitudinal and behavioral reactions by employees is based on the 'norm of reciprocity' (Mory et al., 2016; Rayton et al., 2015) rooted in the Social Exchange Theory (SET). The fulfillment of different needs by the company, in the eyes of employees, leads them to reciprocate positively to the company. While the social needs fulfilled by the CSR of the company may be represented by higher levels of affective commitment, the fulfillment of instrumental and deontic needs identified by the arguments of the theory need to be introduced as mediators to the relationship.

In prior literature, organizational trust has been used as a mediator to the relationship (Aryee, Budhwar, & Chen, 2002; Shen, Sheer, & Li, 2015; Vlachos et al., 2010) between employee evaluations of CSR and their responses. As a representation of the instrumental needs of employees fulfilled by a positive perception of CSR, organizational trust captures the arguments made by theory, in the sense that employees get a sense that the company will deal with them in a manner

that is concerned with their welfare. A high level of organizational trust implies that the employee believes that the company will be ‘fair’ to them. We therefore hypothesize that:

Hypothesis 4: *The relationship between perceptions of CSR and (a) job satisfaction and (b) discretionary effort is mediated by organizational trust.*

Similarly, the deontic needs fulfilled by the company when its CSR is perceived positively by an employee can be captured by the construct of meaningfulness. Although literature using meaningfulness as a mediator between the relationship of perceptions of CSR and employee reactions (Glavas & Kelley, 2014; Raub & Blunschi, 2013) is not extensive, the arguments made by organizational justice literature implicitly assert that the actions of an organization embodying justice would fulfill a deontic need of the employee. This fulfillment would translate to higher levels of meaningfulness at work for an employee in cases where the employee perceives the CSR actions of the firm positively. As a result of this fulfillment, according to the norm of reciprocity, employees would reward the organization with positive attitudinal and behavioral responses. Based on these arguments, we hypothesize that

Hypothesis 5: *The relationship between perceptions of CSR and (a) job satisfaction and (b) discretionary effort is mediated by meaningfulness.*

The hypotheses presented above are based on prior literature showing that organizational trust, affective commitment and meaningfulness act as mediators to the relationship between perceptions of CSR and attitudinal and behavioral responses of employees. However, in the literature discussed, the three have been tested in isolation from the others. This can give an incomplete picture of the role of all three as mediators of the relationship since there is some evidence that the three constructs are inter-related. For instance, prior literature suggests that there is covariation between trust and meaningfulness (Kahn, 1990; Li & Tan, 2013). Literature also suggests that there is a relationship between trust and commitment (Cho & Park, 2011; Perry, 2004). Based on this, we hypothesize that

Hypothesis 6: *Organizational trust, affective commitment and meaningfulness have significant correlations among themselves.*

If, as we hypothesize, the three constructs are inter-related, a potential problem with looking at each of the three mediating variables in isolation from the other two is that there is expected to be a certain level of communalities between organizational trust, affective commitment and meaningfulness. The unique component of each of the three constructs may not have the same role in the relationship structure as they each might in isolation. Since trust has been identified as an antecedent to both commitment and meaningfulness in prior literature (Cho & Park, 2011; Kahn, 1990), the effect of trust on employee responses to perceptions of CSR may be reflected in the effects through affective commitment and meaningfulness. Therefore, we hypothesize that

Hypothesis 7: *When organizational trust, affective commitment and meaningfulness are simultaneously tested to mediate the relationship between perceptions of CSR and (a) job satisfaction and (b) discretionary effort, the mediating effect of organizational trust is suppressed.*

These hypotheses, taken together, present a theoretical framework, whereby Organizational Trust, Affective Commitment, and Meaningfulness act as mediators to the relationship between Perceptions of CSR and (a) Job Satisfaction and (b) Discretionary Effort.

3.3 Method

3.3.1 Data Collection

Data was collected using Amazon Mechanical Turks (MTurks), and 646 responses were collected. Of these, 544 responses were complete and the remaining responses were disregarded from further analysis. The respondents were further shortlisted based on their responses to attention checks presented in the survey and based on the minimum threshold of 5 minutes to complete the survey. This further shortlisting resulted in 462 usable responses.

59.7% of the respondents were from the US, 32.5% were from India and the remaining were from other parts of the world. The minimum age among the participants was 18, while the maximum was 67, with an average age of 35 years. In addition, 55.6% of the participants were male, while the remaining 44.3% were female.

3.3.2 Construct Measurement

The variables used in the study have been taken from prior studies in literature related to perceptions of CSR and employee reactions to them. Respondents were asked to respond to their level of agreement or disagreement to presented statements on a Likert scale ranging from 1 to 7. Internal consistency measure, examples of items, number of items for measuring the construct and sources for the scales are presented in Table 3.1.

Construct	Source	Number of Items	Cronbach's Alpha
Perceptions of CSR	De Roeck et al (2016)	3	0.872
Sample Question: My company follows high ethical standards			
Organizational Trust	Lee et al. (2013)	5	0.912
Sample Question: Our organization treats me fairly and properly			
Affective Commitment	Ditlev-Simonsen (2015)	6	0.939
Sample Question: I would be very happy to spend the rest of my career in this organization			
Meaningfulness	Glavas & Kelley (2014)	3	0.94
Sample Question: My job itself is very significant and important in a broader scheme of things			
Job Satisfaction	Vlachos et al. (2013)	3	0.895
Sample Question: My work gives me a sense of accomplishment			
Discretionary Effort	Edwards (2016)	3	0.886
Sample Question: I carry out my job with extra special care			

Table 3.1: Construct measurement

3.3.3 Data Analysis

Regression analysis was conducted to test hypotheses 1 to 5. Hypothesis 6 was tested using correlation analysis. Using principal component analysis, the factor scores for organizational trust, affective commitment and meaningfulness were tested for correlations. Hypothesis 7 was tested using structural equation modeling. All data analysis was conducted using Stata version 12. Due to the large sample size, and to ensure a robust analysis, relationships are only reported significant over the threshold of 99% significance level.

3.4 Findings

Results of the stepwise regression conducted to test the mediation of the relationship between perceptions of CSR and the two dependent variables are presented in Table 2. As a first step, demographic controls were included in the regression model to assess the effect of control variables on job satisfaction and discretionary effort. In the second step, perception of CSR was added as a regressor to the equation in both cases. As the last step, each of the hypothesized mediators was individually added to the regression equation to test the mediation effect of each in isolation from the others.

In the regression on job satisfaction, it was found that the country of origin and the salary level of the individuals had a significant effect. The effect of perceptions of CSR on job satisfaction was significant. However, the R-squared measure shows that the total effect on job satisfaction of the control variables is quite low. The unstandardized coefficient of regression of perceptions of CSR on job satisfaction was 0.61 without addition of the mediators in the regression model. In the third

step, organizational trust was added to the model, which had a significant relationship with job satisfaction, and the addition of trust to the regression equation lowered the unstandardized coefficient of regression to 0.3. However, perceptions of CSR still had a statistically significant effect on job satisfaction, reflecting that organizational trust partially mediates the relationship between perceptions of CSR and job satisfaction. Both affective commitment and meaningfulness also had significant relationships and were seen to partially mediate the relationship as well. No demographic variables used as controls in the regression were significant when any of the three mediators were added to the regression equation, suggesting that the variation in job satisfaction as a result of these demographics was captured by the variations in perceptions of CSR and by the mediator used.

<u>Job Satisfaction</u>			<u>Discretionary Effort</u>		
	St. Coefficient	P > t		St. Coefficient	P > t
Model 1 (Demographic Controls)			Model 1 (Demographic Controls)		
Gender	0.092	0.445	Gender	0.094	0.048
Country of Origin	0.116	0.000	Country of Origin	0.118	0.003
Education Level	0.041	0.864	Education Level	0.042	0.615
Salary	0.016	0.007	Salary	0.016	0.004
R ²	0.062		R ²	0.031	
Model 2 (Direct Effect)			Model 2 (Direct Effect)		
Gender	0.073	0.892	Gender	0.078	0.097
Country of Origin	0.093	0.000	Country of Origin	0.100	0.199
Education Level	0.033	0.291	Education Level	0.035	0.187
Salary	0.013	0.171	Salary	0.014	0.095
Perception of CSR	0.037	0.000	Perception of CSR	0.039	0.000
R ²	0.410		R ²	0.324	
Model 3 (Mediation by Trust)			Model 3 (Mediation by Trust)		
Gender	0.065	0.353	Gender	0.075	0.026
Country of Origin	0.085	0.205	Country of Origin	0.098	0.587
Education Level	0.029	0.389	Education Level	0.033	0.237

Salary	0.011	0.134	Salary	0.013	0.085
Perception of CSR	0.042	0.000	Perception of CSR	0.048	0.000
Organizational Trust	0.044	0.000	Organizational Trust	0.050	0.000
R ²	0.542		R ²	0.391	
Model 4 (Mediation by Commitment)			Model 4 (Mediation by Commitment)		
Gender	0.049	0.449	Gender	0.073	0.049
Country of Origin	0.064	0.152	Country of Origin	0.095	0.884
Education Level	0.022	0.833	Education Level	0.033	0.349
Salary	0.009	0.209	Salary	0.013	0.130
Perception of CSR	0.032	0.001	Perception of CSR	0.048	0.000
Affective Commitment	0.033	0.000	Affective Commitment	0.049	0.000
R ²	0.736		R ²	0.413	
Model 5 (Mediation by Meaningfulness)			Model 5 (Mediation by Meaningfulness)		
Gender	0.043	0.263	Gender	0.069	0.177
Country of Origin	0.056	0.107	Country of Origin	0.089	0.608
Education Level	0.019	0.189	Education Level	0.031	0.189
Salary	0.008	0.762	Salary	0.012	0.396
Perception of CSR	0.027	0.000	Perception of CSR	0.043	0.000
Meaningfulness	0.027	0.000	Meaningfulness	0.044	0.000
R ²	0.795		R ²	0.480	

Table 3.2: Step-wise regression results

Similarly, in the regression on discretionary effort, both countries of origin and salary levels had a significant effect on the dependent variable. As in the case with job satisfaction, however, the R-square shows that the control variables can only explain 3% of the variation in discretionary effort. Once perception of CSR was added to the model, there were no effects by the control variables. The unstandardized coefficient of correlation was 0.566. Addition of any of the three hypothesized mediators lowered the coefficient of correlation of perceptions of CSR, and each mediator had a significant relationship with discretionary effort signifying that all three of the hypothesized mediators partially mediate the relationship in isolation from the others.

The test results presented above replicate the findings of prior literature, showing that each of the constructs organizational trust, affective commitment and meaningfulness act as mediators to the relationship between perceptions of CSR and (a) job satisfactions and (b) discretionary effort. In addition to replicating these findings, we tested the simultaneous role of the three mediators in the relationship between perceptions of CSR and employee responses. We therefore used structural equation modeling to test these interrelationships. Since the level of variation caused as a result of control variables were not significant in the presence of mediators in isolation, no controls were used as predictors of job satisfaction or discretionary effort. A representation of the hypothesized set of structural relationships, and the tested model is presented in Figure 3.1. All the measurement indicators used for the model were significant, and are not represented in the figure.

In the case of job satisfaction, when all three mediators are used simultaneously, the relationship between perception of CSR and job satisfaction is fully mediated by affective commitment and meaningfulness. In addition, mediation by organizational trust is not found to be statistically significant. In the case of discretionary effort, the relationship is partially mediated, but the only mediator of the relationship found significant is meaningfulness. In this case, both organizational trust and affective commitment are not found significant mediators of the relationship. In addition, the three mediators hypothesized were found to have significant covariations among themselves.

Measures of goodness of fit of the model were in line with models with good fits. The chi-square statistic was significant, which is to be expected in larger data sets, RMSEA was 0.076, Tucker-Lewis index was 0.936, the comparative fit index (CFI) was 0.945 and the standardized root mean squared residual (SRMR) was 0.042. These measures denote a good fit of the data to the proposed model (Hair et al., 2006).

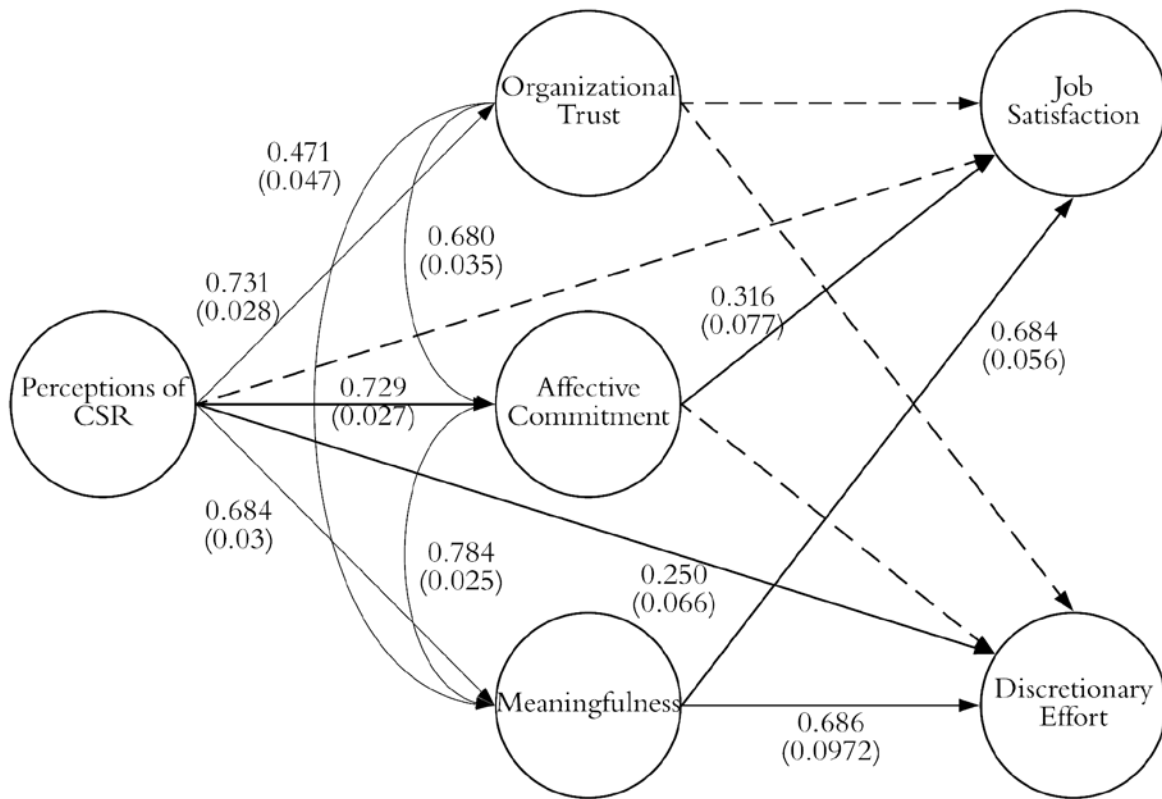


Figure 3.1: Structural Representation of the Relationship

3.5 Discussion

Hypotheses 1-5 were designed to replicate the findings of prior studies and were in line with expectations based on previous literature. There were tested using regression based mediation analysis and data from this study supports these hypotheses. Without the presence of any mediators in the relationship, perception of CSR was found to be a significant regressor for both job satisfaction and discretionary effort, supporting hypotheses 1 and 2. It is important to note the

effect size of both these relationships in addition to merely highlighting statistical significance. In the case of job satisfaction, in Model 2, the standardized regression coefficient of perception of CSR is 0.6, with an R-squared of 0.411. In the case of discretionary effort, the regression coefficient is similarly high at 0.566, with a slightly lower R-squared value of 0.329. Both these indicators reflect a considerable effect of perception of CSR on the two employee outcomes.

For hypotheses 3-5, we introduced each moderator in isolation from the others. This was intended to replicate prior literature where generally only one of these mediators is considered in the model. As anticipated, and in line with prior literature, all three hypotheses about the mediators in isolation from the others were supported by the data.

The significant covariation among organizational trust, affective commitment and meaningfulness tested by the structural model supports hypothesis 6. Similarly, hypothesis 7 was supported by the data as organizational trust was not found to be a significant mediator to the relationship of perceptions of CSR with employee responses in the presence of affective commitment and meaningfulness.

While previous literature has looked at the role of meaningfulness as a mediator to the relationship between perceptions of CSR and employee outcomes (Glavas & Kelley, 2014; Raub & Blunschi, 2013), the role of meaningfulness has not been tested previously in the presence of organizational trust and affective commitment which are more generally tested as mediators of the relationship (J. (Sunny) Kim et al., 2016; Vlachos et al., 2014; West et al., 2015). This study shows that while there are communalities among trust, commitment and meaningfulness, the unique element of meaningfulness by itself also acts as mediator to the relationship between perceptions of CSR and employee outcomes.

The study also highlights the importance of meaningfulness as the mechanism through which employees respond to socially responsible actions and policies of the firm. While previous work has shown that meaningfulness acts as a mediator to the relationship between perceptions of CSR and employee reactions (Glavas & Kelley, 2014), the relative importance of it in comparison to affective commitment and organizational trust has not been highlighted. This study shows that while the unique elements of affective commitment and organizational trust may not by themselves act as mediators to the relationship, meaningfulness remains a significant mediator of the relationship.

The multiple needs model of the organizational justice theory as a theoretical framework for understanding of employee responses to CSR as described in previous literature (Deborah Rupp et al., 2006) has been tested in earlier work. However, as discussed earlier, evidence supporting the framework has been taken in fragments. Testing a more complete representation of the theoretical implications of the model has provided several key insights that were not found in earlier work.

3.6 Conclusion

3.6.1 Theoretical contributions

Firstly, the results of this study demonstrate that while organizational trust, affective commitment and meaningfulness mediate the relationship between perceptions of CSR and employee outcomes, the mediator with the largest effect size is meaningfulness. In the case of attitudinal outcomes, job satisfaction in this case, meaningfulness and affective commitment fully mediate the relationship.

In the case of discretionary effort, meaningfulness partially mediates the relationship between perceptions of CSR and effort, while none of the other mediators remain significant. The importance of meaningfulness as a mediator for the relationship can also be seen in the higher R-squared of the regression model suggesting that meaningfulness captures more of the variation in both job satisfaction and discretionary effort than either organizational trust or affective commitment.

Secondly, the model presented in the study presents a more complete depiction of the needs based argument for employee reactions to CSR relative to earlier work. While proponents of the argument have suggested that security, social and deontic needs of employees are fulfilled as a result of having a CSR policy viewed positively by the employees, there have not been studies that have looked at all these different needs simultaneously. This study looks at the effect of the three needs that have been argued to be fulfilled by a good CSR policy, and also highlights the effect size of each of these needs as mediators to the relationship to show their relative importance to employees.

Considering an attitudinal and a behavioral response of the employees simultaneously also allows the study to show that there may be differences in the way each of the proposed mediators may solicit different kinds of employee responses. A surprising insight of the study has been the finding that affective commitment may have a sizeable impact on job satisfaction, but may not result in effects on behavioral responses, captured here by discretionary effort.

3.6.2 Managerial Implications

The most important insight for managers from this study is to underline the importance of meaningfulness as a mediator to the relationship between perceptions of CSR and employee responses. This insight has two key implications for managers to garner instrumental benefits from investing in CSR.

We believe that CSR policies can be tailored to emphasize a sense of security by focusing more on internal stakeholders. Alternatively, they can be adapted to emphasize a slightly different aspect by focusing more on issues that are closer to the values of the broader community to result in higher levels of prestige for employees. In the same vein, they can also be customized to mirror the values of employees themselves so they find their work more meaningful. While this has not explicitly been tested in previous literature, these implications can be drawn from a description of the organizational justice framework explaining the relationship between CSR and employee responses. It would be advantageous for future research to explore this question in more detail.

3.6.3 Limitations and Future Research

As with any study using survey data, there is a potential for mono method bias. In line with recommendations, the respondents were assured that their participation would be anonymous and there would be no attempts made to determine their identity using their responses. Additionally, psychological distance was created by making respondents engage in a mathematical exercise in two stages during the survey. However, taking these precautions cannot completely eradicate the risk of the potential bias.

While crowdsourcing tools may allow researchers to broaden the pool of their data, there is a selection bias inherent in any tools based on crowdsourcing. This form of selection bias can also be very difficult to completely eradicate. However, replicating the study in other contexts and research settings in the future may counteract the effect of this form of selection bias.

While this study explores the relative importance of the mechanisms which underlie the relationship between perception of CSR and employee reactions, it also highlights a lack of proportionate attention to meaningfulness as the mediating mechanism for the relationship. A larger proportion of literature studying this relationship has focused on the social need fulfillment of employees via prestige and higher levels of self-esteem resulting from higher levels of external prestige of the organization perceived by employees. It would be fruitful for future research to explore the role of meaningfulness as a mediator to the relationship in more detail.

An important question stemming from the results of this study relates to the boundary conditions for the three mechanisms. Future research can explore questions related to relative importance of each of the mechanisms under different levels of moderating constructs. A particularly insightful construct as moderator could be attributions of CSR motivations by employees to test whether evaluations of intentions of CSR have disproportionate effects on the mediators tested.

As a proxy for behavioral consequences, this study follows prior literature to make use of self-reports of discretionary effort by employees themselves. As a measure of behavioral outcomes, it would be beneficial to have the ability to triangulate the data either by garnering information from supervisors of the participating employees, or having some measure of actions of the employees. We encourage future researchers to look into the possibility of having other sources of information to supplement self-reports of behaviors from employees.

Chapter 4: Chicken or the Egg? Causal direction between employee perceptions of CSR and Organizational Trust

4.1 Introduction

In recent years, there has been an increasing interest in stakeholders' reactions to corporate social responsibility (CSR) initiatives of firms. In this stream of literature, the relevant reality is not what the firm objectively does under the umbrella of CSR, but the perceptions that individual stakeholders form about the CSR of the firm. The increased interest in the area is indicated by the growing number of academic articles focused on the relationship between stakeholder perceptions of CSR and their attitudes towards the firm (De Roeck et al., 2016; Panagopoulos et al., 2016; Rayton et al., 2015). However, this relationship has generally been seen as unidirectional in literature. The argument suggests that if stakeholders form a positive view of the firm's CSR, they infer positive attributes about the firm, and therefore develop positive attitudes towards it (D. E. Rupp et al., 2013; Deborah Rupp et al., 2006; Vlachos et al., 2014). We argue that this description may not completely reflect the relationship between stakeholder perceptions of CSR and their attitudes towards the firm.

Inconsistent with this unidirectional view of the relationship between stakeholder perceptions of CSR and their attitudes towards the firm, there is evidence that some firms find it difficult to generate positive perceptions of their CSR due to the existing attitudes that stakeholders may hold towards the firm, despite an objectively effective CSR initiative. A good illustration of this

phenomenon can be seen in the partnering of Chiquita with the Rainforest Alliance (Wicki & van der Kaaij, 2007), and the subsequent backlash from different stakeholder groups like customers and NGOs. A well designed CSR effort by the firm was viewed with skepticism by stakeholders due to their existing negative attitudes about the firm based on information about the past actions of the firm. This phenomenon suggests the possibility of the relationship between stakeholder perceptions of CSR and their attitudes towards the firm having the opposite direction of causality than is usually described in literature.

A determination of the causal direction of this particular relationship is crucial for our understanding of what is generally referred to as the business case for CSR. If positive perceptions of CSR do, in fact, lead to more positive attitudes towards the firm, then a firm may use CSR as a tool to change the attitudes of its stakeholders. If, however, existing attitudes affect the way stakeholders perceive the CSR of the firm, then CSR as a tool for changing attitudes loses its potency. In that case, firms would have to alter the attitudes of their stakeholders before investing in CSR to reap any instrumental benefits.

In this chapter, we argue for a bidirectional causal relationship between stakeholders' perception of CSR and their attitudes towards the firm, which takes into account the role of existing biases held by stakeholders. The theoretical argument for this bidirectional nature stems from the balance theory of attitudes (Heider, 1946, 1959; Woodside & Chebat, 2001), which suggests that we seek consistency in our attitudes towards objects that we deem to be related. We argue the relationship, between a stakeholder's attitude towards the firm and towards the firm's CSR, from a balance theory perspective would be bidirectional in nature. Attitudes of a stakeholder towards the firm would have an effect on his or her attitude towards the firm's CSR and vice versa.

To test this bi-directionality in the relationship, we focus on the organizational trust as an attitude of the stakeholder towards the firm, and consider perceptions of CSR as an attitude of the stakeholder towards the CSR efforts of the firm. The stakeholder group we focus on in this note is employees of the firm, since are expected to have a broader information set available to them (Gilly & Wolfinbarger, 1998) while forming attitudes about the firm and its CSR. We report evidence from two experiments to test each causal direction discussed.

In addition, a particularly relevant determinant of the relationship between perceptions of CSR and organizational trust is the propensity of an individual to be trusting of the behavior of others. To capture the effect of variation in this trait among individuals, we use the construct of social cynicism, defined as the overall belief that people and institutions cannot be trusted (Singelis, Hubbard, Her, & An, 2003a). We test for both the direct and moderating effect of social cynicism on the relationship between perceptions of CSR and organizational trust in both directions.

4.2 Background Literature

The theoretical arguments for the relationship between perceptions of CSR and attitudinal responses by employees are generally rooted in two perspectives: Organizational Justice Theory and the Social Identity Theory. Both these theoretical arguments focus on a unidirectional nature of the relationship and differ primarily in terms of why employees respond with positive attitudes towards the firm when they perceive the CSR of their firm positively.

The argument stemming from the Organizational Justice Theory suggests that a positive perception of the CSR of the firm fulfills multiple needs of employees: instrumental, relational and deontic (D. E. Rupp et al., 2013). An employee's instrumental needs are fulfilled, according to this view,

because a good CSR program by the firm indicates to the employee that the firm is concerned about the welfare of its stakeholders, and therefore would also be concerned about the welfare of its employees as well (Deborah Rupp et al., 2006, p. 540). In terms of relational needs, since CSR is about building relationships between the organization and stakeholders, it signals to employees that the organization values such relationships (D. Rupp et al., 2006, p. 541). The fulfillment of deontic needs is based on employees' 'inherent and universally held conviction' for the fair treatment of all individuals. (D. E. Rupp et al., 2013). Based on the norm of reciprocity (Mory et al., 2016; Rayton et al., 2015), the fulfillment of these needs by the firm leads to employees 'paying back' the firm by adopting positive attitudes and behaviors towards it.

The other argument for the relationship between perceptions of CSR and employee attitudes stems from the Social Identity Theory (B. E. Ashforth et al., 2008; B. Ashforth & Mael, 1989). In the context of the relationship between CSR and employee reactions, the argument is that a positive perception of CSR of the company indicates external prestige of the organization to employees (De Roeck et al., 2016). Employees chose to identify more closely with the organization in case they believe that the firm has a higher prestige in order to enhance their self-image (Evans & Davis, 2014; Newman et al., 2014). This higher level of identification, in turn, leads to employees developing positive attitudes towards the firm. In this explanation as well, employees make an assessment about an attribute of the firm based on the CSR related actions of the firm.

4.2.1 Hypothesis Development

While both the discussed perspectives explain the cognitive processes that underlie the relationship between perceptions of CSR and employee attitudes, they do not adequately allow for the

possibility of the causal flow of the relationship going from employee attitudes towards the firm to employees' perception of CSR. Consequently, they do not take into account the possibility that existing attitudes of employees towards the firm could have an effect on the way they perceive the CSR of the firm.

We contend that our understanding of the relationship between perceptions of CSR by employees and their attitudes towards the firm can be enriched by considering the role of a desire for cognitive consistency in employees. Perceptions of CSR, as they are measured in literature, are evaluative in nature and can therefore be considered to be attitudes of the employees towards the CSR of the firm (Bohner & Dickel, 2011; Olson & Zanna, 1993). The idea of cognitive consistency suggests that people desire to have simplicity in their cognitive structures, and wish to have similar attitudes towards objects that they believe are related (Crandall, Silvia, N'Gbala, Tsang, & Dawson, 2007).

The Balance Theory of attitudes (Heider, 1946, 1959; Woodside & Chebat, 2001), which is grounded in the idea of cognitive consistency (Fiske & Taylor, 1991), argues that attitudes of objects that are related do not form in a cognitive vacuum, whereby the evaluator evaluates the attitude object in isolation. The central idea of the theory suggests that the formation of an attitude is affected by existing attitudes that the perceiver may have towards distinct, but related objects. In order to illustrate the idea of cognitive balance, theorists have generally used a triad between the perceiver and two objects that are related in the mind of the perceiver.

In cases where the association between the related objects is positive, the theory suggests that perceivers would tend to develop the same valence of attitude (positive or negative) about the two objects in order to maintain balance in their attitudes. For instance, if the individual Steve Jobs is positively related to Apple Inc. in the minds of a perceiver, the attitudes of the perceiver would be expected to either be positive towards both or negative towards both.

Conversely, in cases where the association between the two attitude objects is negative, the valence of attitudes of the evaluator to the two objects would be opposite. For instance, in the case of two countries at war, the theory suggests that a perceiver would have a positive valence of attitude towards one and a negative one towards the other.

In the cognitive structure of the firm and its CSR, the two would be positively related in the minds of perceivers as one is an action of the other. Therefore, the relationship between the two would also be related. In cases where employees have an existing attitude towards the firm, when they are presented with information about the CSR of the firm, they would form positive attitudes towards it as well. Similarly, an employee having a negative attitude towards the firm would form a negative evaluation when presented with information about the firm's CSR. We therefore hypothesize that,

Hypothesis 1: A higher level of organizational trust leads to a more positive perception of the CSR of the firm.

In cases where a stakeholder forms an attitude towards the CSR of the firm prior to forming an attitude towards the firm, the situation will be expected to reverse. In this case, the idea of maintaining a balance in attitudes will lead to the existing attitude towards the CSR of the firm having an effect on the formation of the attitude towards the firm. In addition, attitudes towards the CSR of the firm would also lead to the stakeholder drawing inferences about the firm as suggested by arguments from organizational justice theories. We therefore hypothesize that

Hypothesis 2: An employee's positive perception of the CSR of a firm leads to higher levels of trust in the company.

Considering a dyadic understanding of trust, as an attribute of the relationship between a trustor and a trustee, while variation in the trust worthiness of the trustee is captured by the arguments presented above, it is essential to note that the relationship can also be effected by potential variations in the trustor's propensity to trust (Mayer et al., 1995). These differences between individual differences can be captured by 'social axioms', which are defined as "generalized beliefs about oneself, the social and physical environment, or the spiritual world, and are in the form of an assertion about the relationship between two entities or concepts" (K. Leung et al., 2002, p. 289). Although the use of social axioms to explain differences in evaluations and attitudes is relatively new in literature, there is emerging consensus that social axioms are critical to such differences (West, Hillenbrand, & Money, 2015).

In particular, the generalized belief that seems to be the most relevant to the relationship between perceptions of CSR and organizational trust is social cynicism. People who hold beliefs consistent with social cynicism are likely to be less trusting of others (Singelis et al., 2003). Social cynicism, therefore, allows us to capture the variance among individuals in their propensity to trust other individuals and institutions. Due to the lower degree of propensity to trust in individuals with a higher degree of beliefs consistent with social cynicism, we hypothesize that

Hypothesis 3 (a): The level of social cynicism of an individual is inversely related to the organizational trust of the individual in the organization.

In addition to having a lower level of organizational trust, individuals with a higher degree of social cynicism are likely to be more skeptical in their interpretations of the CSR actions of their firms. Such individuals will look at the information provided by the firm about its CSR with more suspicion and can therefore be expected to have a less positive perception of CSR. We hypothesize that,

Hypothesis 3 (b): The level of social cynicism of an individual is inversely related to their perception of CSR of the firm.

The level of social cynicism of an individual may also affect the way that the individual processes information. As a consequence, social cynicism may act as a boundary condition for the relationship between perceptions of CSR and organizational trust. Individuals who have a high degree of cynicism may be provided positive information about a certain firm's CSR activities, and yet may not find the information credible due to their cynicism. Similarly, an individual high in social cynicism may be suspicious of information presented to them about the trust worthiness of a firm. As a consequence, the relationship between perceptions of CSR and organizational trust, in both causal directions, can be affected by the individual's level of social cynicism. We therefore hypothesize that

Hypothesis 4: The relationship between perceptions of CSR and organizational trust is moderated by the individual's level of social cynicism.

We conducted 2 experiments to test each direction of causal flow of the relationship between perceptions of CSR and organizational trust, and to explore the direct and interaction effects of social cynicism on the relationship in each direction.

4.3 Study 1

4.3.1 Participants

Participants to the study were 104 students at the Esade Business School. 9 participants were excluded because they had not followed the instructions of the experiment. Out of the participants

included in the study, 49 were male, 45 female and 1 student preferred not to answer the question. The age of the participants ranged from 18-34 years, with an average age of 19.92 years.

4.3.2 Instruments

Two scenarios were written up to elicit negative and positive evaluations of trust worthiness of a fictitious company. These scenarios were pre-tested with 28 students participating in the summer school at Esade Business School, and were found to generate statistically different degrees of trust in the firm in participants of the pre-test.

In addition, participants were asked to complete a priming exercise in which they constructed four word sentences from sets of five words (Srull & Wyer, 1979). Out of the 20 sets of words from which participants were asked to form sentences, 8 contained sentences that primed for cynicism in the priming condition. In the neutral condition, the sets of words were similar, but did not include primes for social cynicism.

4.3.3 Procedure

Participants were invited to a Behavioral Lab situated within the Esade Business School premises based on their availability. They participated in the experiment in small groups numbering from 2-4. They were seated at computer terminals, and were asked to not communicate with each other till all of them had finished with the experiment, and to follow the instructions presented to them at the terminal.

Participants were informed that the study was about how people make judgments about CSR of firms, and in order to make sure the results were not contaminated by their thoughts and feelings, they had to first complete a sentence completion task. After completion of the task, they were told they would receive some information about a firm, and would be asked questions to test their retention of the information. Lastly, they would be given some additional information about the firm's CSR, and asked to evaluate the CSR of the firm. The experiment would then end by asking them some questions about themselves. Once participants were finished with the experiment, they were debriefed, paid a token amount and thanked for their participation.

Participants were randomly assigned one of the two sentence restructuring task and to one of the two scenarios related to the firm's trustworthiness. All participants were then presented with the same information about the firms CSR, and were asked to evaluate the CSR of the firm. The scale for the evaluation was based on the scale developed by Turker (2008b).

4.3.4 Results

A two-way between-groups analysis of variance was conducted to assess the effect of trust and social cynicism on perceptions of CSR. The means and standard deviations of the 4 groups are presented in Table 4.1. The interaction effect between level of trust and social cynicism was statistically significant at the 90% level of significance $F(1,91) = 2.779$, $p = 0.099$. There was a statistically significant main effect for trust $F(1,91) = 4.642$, $p = 0.034$. The main effect of social cynicism did not reach statistical significance. Figure 4.1 shows the interaction effect of levels of trust and social cynicism on perceptions of CSR for the participants.

Dependent Variable: Sum of PCSR				
CynicismPrime		Mean	Std. Deviation	N
Neutral Prime	Trust	23.0000	5.12569	23
	Distrust	22.3750	7.32365	24
	Total	22.6809	6.28354	47
Cynicism Prime	Trust	24.1600	5.79281	25
	Distrust	19.2609	6.50327	23
	Total	21.8125	6.56119	48
Total	Trust	23.6042	5.45675	48
	Distrust	20.8511	7.03710	47
	Total	22.2421	6.40597	95

Table 4.1: Means & Standard Deviations

The results show that the level of organizational trust of participants had a statistically significant effect on the participants' evaluations of the CSR. This finding is in-line with hypothesis 1. It also shows that social cynicism had a moderating effect on the relationship between organizational trust and perceptions of CSR, as expected based on hypothesis 4. However, there is no direct effect of social cynicism on perceptions of CSR, which is contrary to hypothesis 3(b).

A post-test measure of social cynicism showed that there was a statistically significant difference between the groups presented with the sentence restructuring task designed to prime for social cynicism and the group presented with the neutral sets of sentences, demonstrating that the exercise was effective in priming participants for social cynicism.

4.3.5 Discussion

While the previous study was designed to replicate and test the findings in line with prior research, this experiment focused primarily on the opposite flow of the causal relationship. The findings from the study show that the level of organizational trust did, in fact, have a direct effect on how participants perceived the CSR of the firm. This confirms hypothesis 2 presented in our alternative mechanism for understanding the relationship.

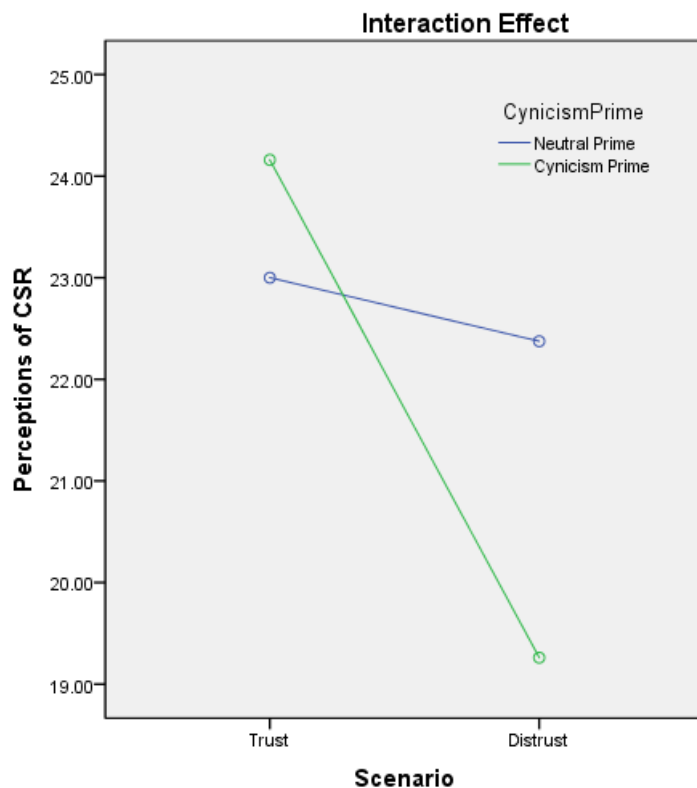


Figure 4.1: Interaction Effects

The priming mechanism used for social cynicism was also effective in having an effect on levels of social cynicism. While this was not a part of the hypotheses presented, it allowed us to

manipulate both the levels of organizational trust and social cynicism in participants to observe their effects on their perceptions of CSR.

In addition, while there was no direct effect of social cynicism on levels of organizational trust, social cynicism did have a moderating effect on the relationship between organizational trust and perceptions of CSR albeit at a 90% confidence level. As is shown in Figure 4.1, the negative effect on perceptions of CSR in cases where participants were given the ‘distrust’ scenario is magnified in cases where they were primed for social cynicism.

4.4 Study 2

Study 2 was designed to test the causal flow of the relationship in the conventional perspective, flowing from perceptions of CSR to organizational trust. We did this by presenting each participant with one of two sets of information about the CSR of the firm, and then presented all participants with information about a decision of the firm to engage in downsizing. The participants were then asked to evaluate some general questions of the level of trust they had in the firm and a question specifically about whether the company could be trusted to ensure that the downsizing experience was not very painful for the employees downsized. At the end of the survey, participants were asked to rate their level of agreement with the items in the social cynicism scale.

In line with our proposed mechanism for the relationship between perceptions of CSR and employee attitudes, and consistent with the arguments stemming from prior literature, we expected that more positive perceptions of CSR would lead to higher levels of organizational trust. We were also expecting higher levels of social cynicism would have a moderating effect on the relationship.

4.4.1 Data Collection & Analysis

Data was collected through the crowdsourcing online tool for researchers ‘Prolific’. An invitation link was posted on the website compensating the participants for taking part in the study nominally. We received a total number of 115 participants in the study, but only 103 of these completed the survey. Among these participants, there were 54 males and 49 females. The minimum age of participants was 16, and the maximum was 70, with an average age of 34 years. The data was analyzed using hierarchical regression in IBM SPSS 20.

4.4.2 Manipulations & Measurement

In order to manipulate levels of perceptions of CSR, two information sets were prepared to elicit positive and negative evaluations of perceptions of CSR. The information provided presented a fictional cause-related marketing campaign by the firm in its CSR efforts. The two scenarios differentiated in their comparison to industry standards. The one eliciting positive perceptions compared favorably with the industry standards and the one eliciting negative evaluations compared unfavorably.

All participants were provided with information about downsizing plans of the firm, and were asked to rate the level to which they could trust the firm’s actions to be considerate of the effects of their actions. Organizational trust was measured using 6 items, with 2 items regarding the overall trustworthiness of the firm, 3 items referring to the integrity and honesty of the firm and 1 question about the specific action about downsizing. Social cynicism was measured using the scale

presented by Leung et al. (2002), and subsequently used by Singelis et al. (2003b) consisting of 13 items.

4.4.3 Findings

Hierarchical multiple regression was used to assess the effect of the CSR manipulation presented to the participant, their level of social cynicism and the possible interaction effects between the two on the level of organizational trust by the participant. In the first step, two variables were included: a dummy variable depicting the CSR scenario presented to the participant and the level of social skepticism indicated by the participant. These variables accounted for a significant amount of variance in organizational trust, $R^2 = 0.102$, $F(2, 100) = 5.684$, $p < 0.01$. However, while CSR had a significant effect on trust ($\beta = 0.376$, $p < 0.01$), social cynicism was not a significant predictor of trust. This suggests that while a positive perception of CSR was related to higher levels of organizational trust, as hypothesized in hypothesis 2, the indicated degree of social cynicism was not related to the participant's level of organizational trust, not supporting hypothesis 3(a).

To avoid potential multicollinearity with the interaction term, the variable for social skepticism was centered and an interaction term between the two was created. Next, the interaction term was added to the regression model, which lowered the R^2 of the model denoting that the addition of the interaction term did not explain more variance in trust. This demonstrated that social cynicism did not have a moderating effect on the relationship between perceptions of CSR and organizational trust, contrary to Hypothesis 4.

A closer examination of the data revealed that there was an underlying structure within the items for social cynicism. The 13 items of social cynicism were subjected to factor analysis using maximum likelihood extraction. The initial extraction revealed the presence of four factors with eigenvalues exceeding 1, explaining 39.5%, 10.3%, 8.7% and 8.6% respectively, but the goodness of fit test was not significant, suggesting a bad fit of the data to the structure of the factor analysis. An inspection of the screeplot showed a clear break after the second factor. A factor analysis, restricting the number of factors to 2 revealed a statistically significant fit of the data to the factor structure. Results of the factor analysis are presented in Table 4.2. The two factors identified by the analysis show different areas of focus in terms of cynicism. Social cynicism reflects an overall belief that institutions and people cannot be trusted. Items in the first factor are generally geared towards the perceived gullibility of people in the social order, for example 'people in love are usually blind' and 'kind-hearted people are easily bullied'. Items in the second factor, in contrast, focus on the perceived beneficiaries from the social order. For example 'power and status make people arrogant' and 'powerful people tend to exploit others'.

Hierarchical regression was run again to assess the effect of perceived CSR, and these two dimensions of social cynicism on organizational trust. In the first step, only the dummy variable depicting the CSR scenario presented to the participant was introduced to the regression. In the second step, the first dimension of social cynicism was added.

The second dimension of social cynicism was introduced in the third step and the interaction terms for each were added in subsequent models. The change in the F-statistic was observed for the addition of each predictor.

Scale Items	Factor 1	Factor 2
Young people are impulsive and unreliable	.522	.087
Too much money ruins people's character	.269	.433
It is rare to see a happy ending in real life	.691	.209
Old people are usually stubborn and biased	.511	.253
Power & Status make people arrogant	.340	.501
It is hard to make friends with people who have different opinions from yourself	.331	.321
Powerful people tend to exploit others	.029	.999
People will stop working hard after they secure a comfortable life	.630	.199
Kind-hearted people usually suffer losses	.731	.299
Kind-hearted people are easily bullied	.564	.320
People deeply in love are usually blind	.598	.222
If one belongs to a marginal group, it is difficult to gain acceptance from the majority group	.293	.517
Caring about others only brings trouble for yourself	.573	.268

Table 4.2: Rotated Factor Analysis Results

There was a significant positive change in the statistic up to the introduction of the two dimensions of social cynicism. The addition of interaction terms did not add to the explained variance significantly. CSR (beta = 0.37, $p < 0.01$), and the two dimensions of social cynicism (Dimension 1: beta = 0.072, $p < 0.01$, Dimension 2: beta = -0.18, $p < 0.01$) all had statistically significant effects on the level of organizational trust.

This demonstrates that Hypothesis 4 was not supported, as evidenced by no moderating effect of social cynicism on the relationship. However, social cynicism had two distinct effects on the level of organizational trust, moving in opposite directions. The dimension of social cynicism referring to groups with high levels of power and money had a direct, negative effect on levels of organizational trust. The dimension of cynicism referring to the ‘victims’ of the system, as described above, had a positive effect on levels of organizational trust.

4.4.4 Discussion

In line with our expectations and prior literature, a positive perception of CSR led to higher levels of organizational trust in participants, supporting hypothesis 2. Against our expectations, however, social skepticism did not have either a direct effect or an interaction effect on levels of organizational trust.

A closer look at the data revealed an interesting insight suggesting that components within the scale for social skepticism had direct effects on organizational trust in opposing directions. The items focusing on the rich and the powerful, the perceived ‘beneficiaries’ of the social order, have a negative direct effect on organizational trust. The items focusing on the perceived ‘victims’ of the social order, on the other hand, had a positive direct effect on organizational trust. It is quite likely that the dispositional levels of cynicism in participants led to different participants paying more attention to different aspects of the information provided. The ones concerned about perceived victims may have paid more attention to the information about the firm helping through its CSR program, and formed a positive view of the firm irrespective of the level of help relative to the industry. Participants with a stronger feeling about the ‘victimizers’ possibly paid more attention to the information about the firm’s downsizing decision and had a predisposed negative evaluation of the firm when presented with information about the upcoming downsizing.

4.5 Conclusion

4.5.1 General Discussion and Theoretical Contributions

We have presented an alternative explanation for the relationship between perceptions of CSR and employee attitudes, using organizational trust as the focal attitude for our study. This explanation differs in its implications from the conventional understanding of the relationship primarily because it makes the case that the causal direction of the relationship can occur in both directions. The two experiments conducted to test the implications of the theoretical framework present evidence that the causal flow of the relationship does occur in both directions, in line with the argument based on the balance theory of attitudes.

It is important to understand, however, that this argument does not necessarily negate the ideas stemming from the Organizational Justice Theory or the Social Identity Theory. For instance, a positive view of CSR can fulfill certain needs in employees as per the organizational justice theory, and employees can respond to the fulfillment of these needs based on the norm of reciprocity. However, in light of the evidence provided in this chapter, some of the covariation between employee perceptions of CSR and their attitudes towards the firm can be understood to stem from a desire for cognitive simplicity.

4.5.2 Managerial Implications

The major implication of the study is to allow managers to decide how to allocate resources in order to generate the most impact of their actions in terms of the benefits they may derive from employees as a result of their CSR efforts. Rather than attempting to design better CSR policies to

benefit from the business case of CSR, it may be prudent to ensure that employees have positive attitudes towards the firm.

Particularly for companies facing negative evaluations from employees, it is important to understand that CSR may not be a good tool to generate benefits from them. There is a risk that even well designed CSR actions may be perceived negatively as a result of existing employee attitudes towards the firm.

Additionally, by highlighting the interaction effect of social cynicism on generating positive attitudes towards the firm, the studies show that for companies that hope to garner instrumental benefits for engaging in CSR, it is important to avoid bringing in people with high levels of cynicism. Organizational members that have a high degree of social cynicism, even when they approve of the CSR of the firm, may not respond positively towards the firm.

4.5.3 Limitations & Directions for future Research

While the strength of experimental design to test behavior lies in its internal validity, the biggest challenge it faces is in terms threats to external validity. This refers to the difficulty in making a case for the generalizability of the study. This threat is inherent to the experimental design in social sciences, and is very difficult to be completely mitigated (Shadish, W., Cook, T., Campbell, 2002, p. 19). However, the relationship between perceptions of CSR and organizational trust has been empirically tested in a variety of cultural and organizational settings (Hansen et al., 2011; C.-K. Lee, Song, Lee, Lee, & Bernhard, 2013; Y.-K. Lee et al., 2012; Roeck & Delobbe, 2012). Based on this, we argue that the threat to external validity does not necessarily undermine the findings of the study in this case.

Another limitation of the study is that the information presented to the subjects would be simplified, and may not completely capture the complex information processing tools that the subjects may use in environments where the information set is more nuanced, broader and deeper. However, the aim of this study is to highlight the role of evaluations of trustworthiness by employees on their perceptions of CSR. Despite more complex information processing by individuals in real contexts, we argue this primary effect would still be important.

Lastly, the use of students to test the hypotheses is not a perfect solution, particularly as we are interested in the reactions of employees in organizations. This can be overcome by either using actual employees, manipulating their evaluations of their actual companies and its CSR policies, or by asking employees to participate in scenario based experiments. For the first option, the ethical and practical challenges to such manipulations preclude the possibility. On the other hand, asking employees to participate in scenario based experiments results in the same difficulties in generalizing the findings outside the context of the experimental setting. Therefore, while the experimental setting using students is not the ideal way to test the hypotheses, we believe that differences between the mechanisms of attitude formation between students and employees may not differ sufficiently to affect the conclusions of the two studies.

4.6 Exhibits

4.6.1 Exhibit 1(a)

Scenario

Imagine you work in a toy manufacturing company in the position of the production manager of their central plant. The management of the company recently held a meeting to discuss the use of certain dyes for coloring some toys which may have adverse effects on the health of children.

The sales manager spoke forcefully in favor of using the proposed dyes, saying:

“I know there are benefits to using this new dye in terms of improved market share. However, using substances that are known to have adverse effects on children knowingly is not something that our company should stand for. There are no laws against the use of the dye, but we should use our own judgment to make sure that the toys we make are as safe for children as possible. We need to increase sales while reducing costs, but we should not do so at the cost of making inferior products. I believe we should not use the dye in our future product lines.”

There was a little discussion about the possible repercussions of using the dye, and after the discussion, the chief executive concluded by saying:

“I think it is clear that there is no law prohibiting the use of this dye, but we should ensure that the products we make are as safe as possible for the use of children. We may lose a little market share from this decision, but we should stand by our values. The best course of action is to not adopt the use of this dye for future product lines.”

4.6.2 Exhibit 1(b)

Scenario

Imagine you work in a toy manufacturing company in the position of the production manager of their central plant. The management of the company recently held a meeting to discuss the use of certain dyes for coloring some toys which may have adverse effects on the health of children.

The sales manager spoke forcefully in favor of using the proposed dyes, saying:

“I know there are some fears that this new dye may have some adverse effects on the children.

However, other toy manufacturers are using the same kinds of dyes, and there is no law against the use of these substances. The dye make the color on the toys more attractive, and is much cheaper to acquire than the dye we currently use. This dye reduces cost and potentially increases sales, therefore, I believe we should use this dye for our future lines of toys.”

There was a little discussion about the possible repercussions of using the dye, and after the discussion, the chief executive concluded by saying:

“I think it is clear that there is no law prohibiting the use of this dye. If we do not adopt the same kinds of dyes, while our competitors do, we might lose our market share. The best course of action for the company is to adopt the use of this dye for future product lines.”

4.6.3 Exhibit 2 (a) – Neutral Sentences

Scrambled Sentences

Instructions: For each set of words below, make a grammatical four-word sentence and write it down in the space provided.

Because there are five words in each item, one word will be left out of the sentence. Thus, do not use all five words when forming your sentence -- only four words.

If multiple sentences are possible to create for any given item, write down any sentence that is grammatically correct. If you get stuck on any one particular item, you may skip it. Do not spend too long on any one item -- the idea is to work through these items rather quickly.

For example:

flew eagle the plane around

The eagle flew around.

- he what want did summer
- him cat often they meet
- begin you sometime will when
- haven't bloomed flowers him these
- look stars the decision at
- truth he understood easy the
- the reason sudden what is
- wanted he as to cry
- grass green orange is the
- plant will the suggest survive

- do did what done he
- she promise her relax kept
- ignored the she did homework
- start isolate now the task
- hat chose he the wanted
- does how guess know he
- smoothly he turn the negotiate
- time left he on stay
- like at children school that
- her he past carefree ignored

4.6.4 Exhibit 2 (b) – Cynicism Prime

Scrambled Sentences

Instructions: For each set of words below, make a grammatical four-word sentence and write it down in the space provided.

Because there are five words in each item, one word will be left out of the sentence. Thus, do not use all five words when forming your sentence -- only four words.

If multiple sentences are possible to create for any given item, write down any sentence that is grammatically correct. If you get stuck on any one particular item, you may skip it. Do not spend too long on any one item -- the idea is to work through these items rather quickly.

For example:

flew eagle the plane around

The eagle flew around.

- he what want did summer
- him cat often they meet
- ruins money personalities people's begin
- haven't bloomed flowers him these
- lose people usually nice stars
- truth he understood easy the
- rare happy are green endings
- wanted he as to cry
- grass green orange is the
- up doesn't love exist true

- do did what done he
- dangerous trusting is left strangers
- ignored the she did homework
- kind fooled glass are people
- hat chose he the wanted
- selfishness success on know depends
- smoothly he turn the negotiate
- time left he on lies
- people selfish school generally are
- her he past fake ignored

Chapter 5: Conclusions

The existing literature on the micro foundations of CSR explains the psychological underpinnings of the business case for CSR. In doing so, as a result of the disparate theoretical lenses leveraged, and the ambiguity in the constructs invoked, our understanding of the relationship between stakeholder evaluations of CSR, and their attitudinal responses to the firm is not very clear (Aguinis & Glavas, 2012). The objective of this thesis was to enhance the clarity in our understanding of the relationship.

The first essay in the thesis attempts to provide some clarity to the use of different measurement instruments and constructs used to capture stakeholder evaluations of CSR. The second essay deals with the ambiguity about the mediating mechanisms that lead to employee responses to firms' CSR initiatives. The third looks at the relationship in an experimental setting in order to establish temporal order between employee evaluations of CSR and their attitudinal responses towards the firm. The theoretical contributions of the thesis as a whole, the managerial implications of the findings of the research and recommendations for future research are presented in subsequent sections of this chapter.

In Figure 1.1, we presented the relationship generally found in literature dealing with employee responses to their evaluations of the CSR of their firms. Figure 5.1, presented below, represents the prototypical relationship expanded, informed by the three essays presented. Firstly, the evaluations of CSR have been expanded to reflect the different kinds of evaluations found within literature, and their inter-relationships. This is based on the results of Chapter 2 of the dissertation. Secondly, the three mediating mechanisms have been spelled out, reflecting three different kinds of needs that CSR fulfills for employees, reflecting the findings of Chapter 3. Lastly, an arrow is

added starting from mediating mechanisms towards employee evaluations of CSR. This highlights the idea that employees' evaluations of CSR may be effected by their existing attitudes towards the firm, which was demonstrated in Chapter 4.

5.1 Theoretical Contributions

In terms of clarifying our understanding of the relationship between employee evaluations of CSR and their attitudes towards the firm, the thesis first clarifies the primary focal concept used in literature to empirically test employee reactions to CSR. This focal concept includes the various kinds of constructs used to capture different aspects of employees' evaluations of CSR.

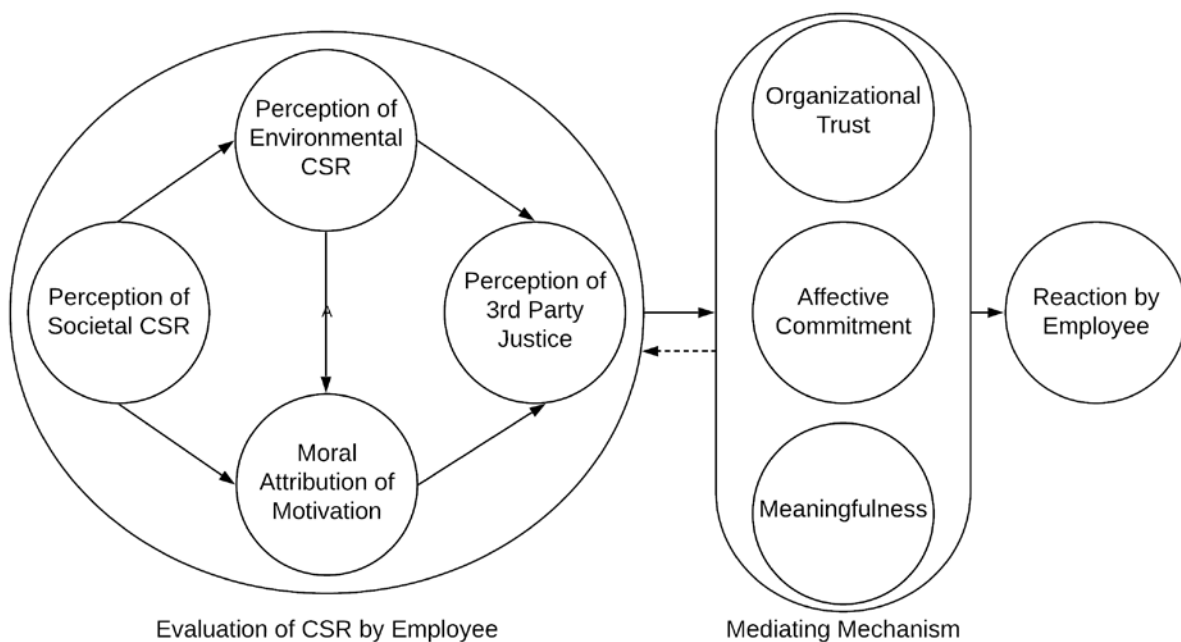


Figure 5.1: Expanded Prototypical Relationship

The thesis highlights the different constructs used to capture these evaluations, and presents an overarching structure to these constructs, rooted in literature dealing with authenticity from the perspective of authenticators (Grayson & Martinec, 2004; Peterson, 2005; Vink et al., 2008).

Another important clarification made by the thesis is the disambiguation among conceptually distinct evaluations captured by constructs under the same label of ‘perceptions of CSR’ (Maignan & Ferrell, 2000; Turker, 2008b; Wagner et al., 2009). The thesis demonstrates that the construct has been used in literature to invoke different aspects of stakeholders’ evaluations of the CSR of a firm. Among these different aspects of the evaluation, the thesis underscores that the evaluation of the firm as a moral and socially responsible firm is effected more by employees’ assessments of why the firm engages in CSR rather than how good the CSR program is. This is in-line with existing views that organizational intentions may be more important to employees than the actions of the firm in the domain of CSR (Vlachos et al., 2010)

In addition, the thesis also surprisingly found that in terms of the different evaluative judgments made by employees about their firms’ CSR activities, views that the firm was not truthful about their CSR policies, or engaged in overselling their CSR initiatives, was not related to their evaluations about their firm’s degree of morality or social responsibility. This suggests that, contrary to existing literature (McShane & Cunningham, 2011), perhaps employees have developed an expectation that firms will exaggerate their accomplishments in the declarations regarding CSR, and this expectation is ‘baked-in’ when they evaluate the firm itself. We also found that country of origin had little relationship with the structure of relationship among the different aspects of evaluations of CSR, pointing towards the generalizability of the relationship structure. While prior literature has discussed the role of country context as a determinant of the relationship between evaluations of CSR and employee responses (McNamara, Carapinha, Pitt-Catsoupes,

Valcour, & Lobel, 2017), this study did not find any evidence of any differences in the inter-relationships among different evaluations of the CSR of a firm.

In terms of the different mechanisms used to explain why employees respond to CSR efforts of the firm in spite of the fact that these efforts are not designed to benefit them, the thesis found support for the idea that the most important mediating mechanism of the relationship between employee evaluations of CSR of their firms and their reactions towards it may be the increased job meaningfulness.

The argument states that a firm's engagement in CSR leads to multiple needs fulfilled for employees (Deborah Rupp et al., 2006). These needs include security, social and deontic needs of the individual. Considering the nature of the fulfillment of these needs, the fulfillment of security and social needs has instrumental benefits to the employees themselves. In other words, when employees respond to the firm as a result of a positive evaluation of CSR, the reasons for these responses is self-centered to some degree. In the case of security needs, employees get the sense that the company will be fair and just towards them (Duane Hansen et al., 2016; Hansen et al., 2011). Similarly, in the case of social needs, employees enhance their self-concept by identifying more closely with the firm (De Roeck et al., 2016). However, the fulfillment of deontic needs is, by definition, other-centered (Evans & Davis, 2014; Glavas & Kelley, 2014). Employees feel good about the fact that their firm is acting fairly towards others.

The surprising finding of the thesis, in terms of the mediating mechanisms for the relationship between employee evaluations of CSR and their responses towards the firm, is that employees respond more because their other-centered needs are met relative to their self-centered needs.

Lastly, the thesis augmented the understanding of the relationship between employee evaluations of CSR and their attitudes towards the firm by offering an alternative understanding of the nature of the relationship based on the desire for cognitive simplicity in the employees. While it may be true that employees respond to the socially responsible actions of the firm due to the fulfillment of different needs, an alternative understanding of the relationship, based on the balance theory of attitudes (Hummon & Doreian, 2003; Woodside & Chebat, 2001), could be based on biased information processing by employees due to their existing attitudes towards the firm or its CSR.

If employees do, in fact, respond to positive evaluations of the CSR by developing positive attitudes towards the firm as a result of this desire for cognitive simplicity, the causal direction of the relationship need not be assumed to be fixed. The thesis shows that in cases where employees may have a positive attitude towards the firm, they evaluate the CSR of the firm more positively, and when they have a positive evaluation of the firm's CSR, they develop positive attitudes towards the firm.

Furthermore, the thesis also highlights the role of social cynicism in how employees evaluate the firm or its CSR. Higher levels of social cynicism in employees lead them to evaluate the firm and its CSR more negatively when they are presented information about them. This is in line with existing literature discussing the role of social cynicism in employee reactions to CSR (West et al., 2015).

5.2 Managerial Implications

The theoretical clarity presented by the thesis leads to several interesting implications for practitioners. Firstly, a better understanding of the inter-relationships among different aspects of

evaluations of CSR can show managers that different kinds of evaluative judgments that employees make regarding the CSR of a firm may have effects on other evaluations that employees make towards the firm and its CSR. For instance, a stakeholder may initially judge that a firm engages in CSR due to moral considerations, but have a negative evaluation of the actions of the firm's CSR. The thesis highlights how this negative evaluation of the firm's CSR action may eventually have an effect on the evaluative judgment about the motivations of the firm. As a consequence, in order to benefit from the instrumental benefits of CSR, managers need a nuanced understanding of the different inter-related evaluations that employees make towards the CSR of their firms.

The thesis also highlights that it is more important for employees to believe that their firm engages in CSR for the right reasons than how good the CSR of the firm is. It becomes increasingly pertinent for managers then to ensure that they transmit stronger signals to their employees about the reasons that the firm engages in CSR relative to signals about the effectiveness of the CSR programs in yielding benefits to the focal stakeholder group.

This factor can also lead to another significant implication for managers. Perhaps the reason that employees respond more to the 'why' of the CSR action rather than the 'what' of it is a result of the fact that the strongest reason that employees respond to the CSR actions of their firms is due to a feeling of meaningfulness in their jobs. If employees believe that the firm they are working for is genuinely concerned about treating other stakeholders fairly and about their welfare, it can add meaning to the work life of the employees, and make their work more meaningful.

Perhaps the most important practical insight by this thesis is the idea that using CSR to derive instrumental benefits from employees may not be an easy process. In particular, for organizations that wish to use CSR to change their employees' attitudes about the firm, the process may not lead

to desired results. When employees are presented with information about the CSR of the firm, they use their existing attitudes towards the firm as the lens through which they look at the CSR itself. Resultantly, it is possible, or probable, that even an objectively well designed CSR policy may not result in positive evaluations by stakeholders in general, and employees in particular.

The thesis also highlights that social cynicism of individual employees, as a dispositional trait, might have an effect on how employees evaluate the CSR of a firm. In cases of an organization with a large number of employees with higher degrees of social cynicism, it would be challenging for firms to elicit a positive evaluation of either the firm or the CSR policies of the firm. This can be considered a factor that organizations need to be mindful of during the recruitment phase in situations where the strategic direction of the organization leads towards a more socially responsible direction.

5.3 Limitations & Future Research

As with any research project based on quantitative methods, there were a number of limitations in terms of the internal and external validity in the project. In the first two chapters, the data gathered is cross sectional in nature. As a result, temporal precedence cannot be established, resulting in threats to internal validity of the conclusions drawn in those chapters. In order to overcome this deficiency, the studies performed in the third chapter were designed in the experimental setting in order to establish the causal direction of the relationships.

The experimental nature of the third study, however, faces challenges to its external validity. Since the subjects chosen for the experimental studies were selected from students in order to avoid

contamination of their evaluations by their attitudes towards the CSR of their own firms, the arguments for the generalizability of the study are significantly weakened.

Similarly, in the first two chapters, the evaluations that participants were asked for were based on the CSR of their own firms. We can expect that variations among the CSR practices of firms could have an effect on the way participants responded to the questions. However, since the interest of both the studies was more towards understanding of the structure of these relationships, this threat is not as significant. Additionally, the design of the third study ensured that participants formed judgments towards a firms CSR based on the same information sets provided. This ensured that there was no variation in terms of the initial information towards which participants had to form evaluative judgments.

A particular weakness in the studies is rooted in potential variance in the degree to which individuals care about the societal role of organizations. In all the studies presented, there is no measure of this variance, and it could be argued that the structure of relationships among different evaluations may be effected by this variance. Based on the breadth of the data collected, however, effects of this variance could have averaged out on the entirety of the samples selected. In terms of future research, it would be advisable to consider the effects, if any, of this variance on how different evaluations and attitudes relate to each other.

Similarly, it would be interesting to see findings from longitudinal studies for the relationships described in the thesis. Such a study would be capable of establishing the temporal order of the relationship, and therefore the causal direction of the relationships. This would augment the internal validity of the study without compromising the external validity which occurs in the experimental setting.

Another major limitation of the thesis is that all the studies have primarily taken a quantitative approach in terms of methodological direction. While quantitative methods are appropriate in situations where the prime objective is testing theoretical models, a significant degree of the richness of contextual factors can be lost. Therefore, it would be suitable to conduct qualitative studies in the future in order to better understand the psychological underpinnings of the relationship between evaluations of CSR by employees and their reactions to it.

Lastly, while this thesis considers the role of social cynicism in the relationship between organizational trust and perceptions of CSR, it would be helpful to also consider the relationships between different evaluations of CSR, as delineated in Chapter 2, and the different attitudinal mediators discussed in Chapter 3.

5.4 Appendix: Itemized Measurement Scales

All questions were rated on a Likert scale ranging from 1 to 7. Participants were asked to respond with the degree to which they agreed with each statement (1 = Strongly disagree, 7 = Strongly Agree)

Perceptions of CSR – Overall Assessment

- Our company is a socially responsible company
- Our company follows high ethical standards, and
- Our company is concerned with improving the well-being of stakeholders and society at large.

Perceptions of CSR – Towards Social and Non-Social Stakeholders

- Our company participates to the activities which aim to protect and improve the quality of the natural environment
- Our company makes investment to create a better life for the future generations
- Our company implements special programs to minimize its negative impact on the natural environment
- Our company targets a sustainable growth which considers to the future generations
- Our company supports the non-governmental organizations working in the problematic areas
- Our company contributes to the campaigns and projects that promote the well-being of the society

Values driven attribution of motivation

Our company engages in CSR because ...

- They feel morally obligated to help
- They have a long-term interest in the community
- Their owners or employees believe in the cause
- They want to make it easier for consumers who care about the cause to support it
- They are trying to give something back to the community

Perception of Greenwashing

- I think our company aims to improve its reputation by presenting itself as an environmentally friendly organization
- To what extent do you think your company has a hidden agenda?
- I think our company pretends to be more environmentally friendly than it actually is

Discretionary effort

- I carry out my job with extra special care
- I always work hard to deliver top-quality work
- I always work hard to meet deadlines to deliver top quality work

Job Satisfaction

- My work gives me a sense of accomplishment.
- My job is exciting.
- I'm really doing something worthwhile in my job

Affective Commitment

- I feel a strong sense of belonging to my company.
- I feel personally attached to my company.
- I am proud to tell others I work at my company.
- Working at my company has a great deal of personal meaning to me.
- I would be happy to work at my company until I retire.
- I really feel that problems faced by my company are also my problems.

Organizational Trust

- Our organization treats me fairly and properly
- Our organization communicates openly and honestly
- Our organization tells all that I want to know
- Our organization maintains a long-term relationship with me
- Our organization considers my advice valuable

Meaningfulness

- The work I do is very important to me.
- My job activities are personally meaningful to me.
- The work I do is meaningful to me.

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